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WORLD NEWS

Disruption spreads at Sealink

Industrial action on Sealink spread rapidly yesterday, with Folkestone-Boulogne and Dover-Calais services suspended...

Boost for Tory image

The Conservative Party will tomorrow launch a promotional campaign ahead of next week's conference...

Sanctions split S Africa

The US Congress's backing for sanctions was met by gloom in South African boardrooms and jubilation among anti-apartheid activists...

BUSINESS SUMMARY

Norway rumours hit krone

NORWEGIAN krone was hit by a wave of selling as foreign exchange markets reacted to rumours of another devaluation ahead of Norway's budget to be released on Monday...

MEXICO regards the \$400m (£260m) loan package negotiated with its foreign bank creditors as an interim solution...

BUILDING SOCIETIES were cautioned by the Government against imprudent lending in the competitive mortgage market...

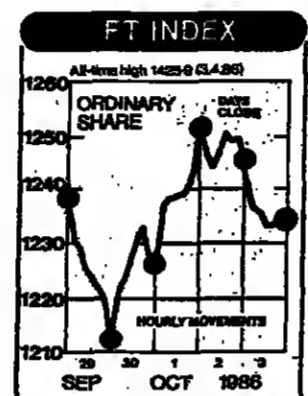
EEC transport ministers expressed sharp differences of opinion over UK proposals to liberalise air transport in Europe...

POLAND expects to seek its first loan from the International Monetary Fund in December...

Opposition to higher base rates signalled by Bank of England

BY GEORGE GRAHAM

THE BANK OF ENGLAND yesterday set its face firmly against a rise in UK interest rates as the pound staggered to the end of a week that has seen it under intense pressure on foreign exchange markets...



The action is seen as a clear signal by monetary authorities that they do not regard a rise in interest rates as appropriate...

Dealers said bids for the Treasury bills were made at an interest rate of 12 per cent, and if the bill had accepted them it would in effect have agreed to an immediate rise in base rates from the 14 per cent level...

System and a cut in the Japanese discount rate. Traders were happy to end the week with balanced books...

Yesterday the pound regained its pence against the D-Mark to close in London at DM 2.8225, picking up fractionally more in late New York trading...

Reagan 'not ready' for test ban treaty

BY STEWART FLEMING IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

THE WHITE HOUSE said yesterday that President Ronald Reagan was not ready to conclude a nuclear test ban treaty with Mr Mikhail Gorbachev...

Mr Speakes' statements and those by Mr Gorbachev and the Soviet Foreign Ministry spokesman in Moscow served to underline the different approaches to next week's summit...

Mr Speakes was referring to a speech by Mr Gorbachev and comments by Mr Boris Pyadyshov, the Soviet Foreign Ministry spokesman in Moscow...

His purpose in meeting President Reagan in Iceland was to reduce the threat of conflict. "We are calling for an end to nuclear tests and for a reduction of nuclear weapon stocks in earnest..."

The two countries had one and the same objective in Reykjavik, realisation of the agreements reached at the U.S.-Soviet Geneva summit last year...

Mr Speakes' statements and those by Mr Gorbachev and the Soviet Foreign Ministry spokesman in Moscow served to underline the different approaches to next week's summit...

From the moment Mr Reagan announced on Tuesday that he would meet Mr Gorbachev and his officials have been playing down the prospects for reaching firm agreements...

In a formal statement Mr Speakes underscored the more limited goals of the US. The US objective was "to narrow differences that separate the US and the Soviet Union..."

Although arms control was important the US agenda was broader, encompassing regional issues, such as Afghanistan, human rights and an improvement in bilateral relations...

In a move likely to attract further criticism of the Soviet authorities for harassment of the foreign press in Moscow, the translator for the correspondent of the Canadian Broadcasting Corporation was detained by police yesterday...

Mr Michael McIvor, correspondent for CBC, said his translator was taken away by police in an attempt to frame him. The incident occurred after a man telephoned Mr McIvor asking to meet him in the street, but refused to reveal what he wanted...

Recalling that Mr Nicholas Daniloff had been arrested and accused of spying after meeting a contact in similar circumstances, Mr McIvor sent his translator instead...

Associated Press writes: The US has asked the Russians to join in a new blackout during the talks next week in Iceland between Mr Reagan and Mr Gorbachev, a White House spokesman said...

WEEKEND FT



FRANCE Graduates of the Ecole Polytechnique have changed the face of modern France but the institution itself is ever more controversial



TSB FLOAT For those who actually get shares, the big question now is: should they be held or sold?



BOOKS Former Cool Board chairman Ian MacGregor gives his side of the bitter strike that rocked Britain



SPORT World Cup soccer is long gone. Now, it's time for World Cup hockey

THE MONDAY PAGE

INTERVIEW

The FT launches a regular features page on Monday with an interview with Jacques Delors, president of the European Commission



US jobless rise clouds Republicans' poll hopes

BY STEWART FLEMING, US EDITOR IN WASHINGTON

US ECONOMIC growth appears to have been slowing again, with unemployment up at the end of the third quarter, which could be a challenge to the White House and its Republican allies before the Congressional elections next month...

The US Labour Department reported yesterday that the civilian unemployment rate in September jumped from 6.8 per cent in August after three months of decline...

More significant in economic terms was evidence that the strong growth in service industry employment during the past three years showed signs of having moderated, while goods-producing industries began to decline again...

The unemployment statistics can set the tone for economic news for the month. The data yesterday strongly suggest that figures for industrial production and personal income in September will be politically damaging...

The labour market weakened in September, Mr Janet Norwood, the commissioner at the Bureau of Labour Statistics, told the Congressional joint economic committee...

The White House, looking as ever for a silver lining, disagreed. Mr Larry Speakes, the presidential spokesman, said the data were not in line with other surveys of business. "We see no reason to expect a rising trend of unemployment," and the economic outlook "remains bright," he said...

The unemployment total for one month, even when as strongly negative as the September figures, indicates trends but does not provide conclusive evidence. The figures, however, tend to reinforce the gloomy signal shown this week by the 0.2 per cent decline in the index of leading indicators...

Together, these tend to support the suspicions of some economists, who suggest that weakening US demand, rather than improving competitiveness, led to the decline in the trade deficit for August...

The Republican Party, fighting to retain control of the Senate, and President Ronald Reagan, struggling to retain his political influence as the race to succeed him is set to begin, are likely to find the new figures discouraging...

The data add to the growing conviction of private economists that figures for the Gross National Product in the third quarter, due on October 21, two weeks before election day, will not help the re-election prospects of Republican senators. Private economists are already scaling down, to about 2 per cent from about 2.8 per cent, their estimates of real economic growth in the third quarter...

The economic news triggered a sharp rally in credit markets with the price of the benchmark Treasury long bond rising soon after the opening by about 11 points to yield 7.52 per cent on the hope of lower interest rates. Prices eased slightly by the close to 9614 yielding 7.53 per cent...

The stock market followed. Continued on Back Page

Ruling on VAT for share deals aids conglomerates

BY CLIVE WOLMAN

THE City's new financial conglomerates are to be given a mission to be VAT-exempted if the client's order was placed with an in-house market-maker. If, however, the broker executes the order through the market-making arm of another company, his commission would be subject to VAT at the standard 15 per cent rate...

The Department's decision on how Value Added Tax will be imposed on share transactions will also compound the difficulties facing stockbrokers in complying with the provisions of the new financial services legislation...

In a letter to the Stock Exchange on Wednesday, the Department of Customs and Excise said that a stockbroker's commission would be VAT-exempted if the client's order was placed with an in-house market-maker...

According to one VAT officer, it has been accepted that any commission "must be regarded simply as a discount or addition to the price of any security" in cases where the broker and market-maker are part of a single legal entity...

This stockbroking companies Continued on Back Page

THF-Hanson deal referred

BY NIKKI TAIT

HANSON TRUST'S £190m sale of a block of hotel and restaurant businesses to Trust House Forte, the catering and hotel group, is being referred to the Monopolies and Mergers Commission...

According to the Department of Trade and Industry, the decision by Mr Paul Channon, Secretary of State, to make a reference on the recommendation of Sir Gordon Borrie, Director General of Fair Trading, was motivated by concern for the effect of the acquisition on competition on the roadside restaurant market, especially on trunk roads between Telford and Walsingham...

The deal between THF and Hanson for 26 Anchor hotels, about 74 Imperial Inns restaurants, 66 Happy Eater roadside restaurants and six Walsingham Break motorway service stations, was struck last July. Hanson had acquired the businesses in its £2.6bn acquisition of Imperial Group, the British brewing combine, in April...

Hanson Trust said yesterday that the deal had been sold unconditionally and that the transaction had been completed. Mr Martin Taylor, a Hanson director, added: "THF has been running the business since August. It was an unconditional sale and they took the risk of it being referred. We have no further involvement at all..."

The monopoly worries stem from the combination of the newly-acquired Happy Eater outlets and THF's 251 existing Little Chef roadside outlets. THF already runs more than a dozen motorway service areas and with the Welcome Break business it is one of the biggest operators in the field...

The July deal was the first major acquisition made by Mr Rocco Forte, since taking over from his father, Lord Forte, as chief executive. Yesterday Mr Forte said THF was surprised by the reference and believed there was "no justifiable reason" for it...

But he added: "In the unlikely circumstances that we are forced to sell any part of these businesses, we know we will be able to do so in a manner beneficial to Trusthouse Forte shareholders..."

On the question of possible purchasers, Mr Forte said: "I haven't given the matter much thought, but we had a number of queries for parts of the business when we first acquired it, and I have already had several people ringing on this news..."

Among those thought to have been rival bidders to THF at the time of the Hanson sale were Scottish & Newcastle Breweries, Sars - where Mr Michael Pickard, former head of Imperial Brewing and Leisure, is now deputy chief executive - and Ladbrokes...

THF shares closed down 8p at 150p. Owens-Corning on course to acquire Pilkington offshoots, Page 10

A lady with designs XIX Lex, Back Page

Police police chief hurt

Police chief hurt in a car crash. Police chief was slightly hurt when a Sikh assassination squad broke into a compound where he was staying in Jalandhar. A policeman died.

UK-Soviet space link

British and Soviet scientists are to collaborate on a project to send an unmanned space probe to Mars, Page 8

Shuttle set for 1988

Nasa space agency said the first space shuttle flight since the Challenger disaster is to be launched on February 18, 1988.

Belfast arms cache

West Belfast police seized a cache of 2,000 lb of explosives and machine-guns, rifles and ammunition, the biggest find for several years, Anglo-Irish meeting, Page 4

UN chief 'second term'

Peru's Javier Perez de Cuellar has agreed to accept a second term as UN Secretary General, expected to be confirmed by the General Assembly next week, diplomats said.

Twin town plans

Lianfirpwlwgwylylogerych-wyrudrowllantyllylogogoch. Anglesy, villagers are working on arrangements to twin their town with the Dutch hamlet of Ee.

Drug on the market

A Swiss court overturned a ban on sales of Opium perfume, rejecting claims that addicts might mistake it for the drug, but said the name showed "little socio-ethical taste."

MARKETS

Table with columns for DOLLAR, LONDON, US CLOSING RATES, and GOLD. Includes values for New York, London, and Tokyo for various indices and currencies.

Table with columns for SUPPLYING and LONDON MONEY. Includes values for New York, London, and Tokyo for various indices and currencies.

Table with columns for NORTH SEA OIL and STOCK INDICES. Includes values for Brent 15-day Oct (Argus), FT Ord 1294.9, and other market indicators.

Table with columns for UK drug problem, Man in the News, and Tony Newton. Includes names and titles of individuals mentioned in the news.

Table with columns for FT Archives, Money Markets, and Man in the News. Includes names and titles of individuals mentioned in the news.

Table with columns for Wall Street, UK News, and Labour. Includes names and titles of individuals mentioned in the news.

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Poland likely to seek debt relief through IMF loan

BY DAVID BUCHAN

POLAND is expected to seek its first loan from the International Monetary Fund in December, Mr Brzezinski, Finance Minister, said yesterday. After the annual IMF meeting in Washington, Mr Brzezinski did not say how much money Poland would seek or how long negotiations for a loan coupled to an IMF-agreed adjustment programme would take. Poland has found itself chronically unable even to pay current interest on a debt that totals \$31bn (£21.5bn). The modest recovery that followed the near-collapse of the economy in 1981-83 has this year faltered, with the prospect that Poland will again have to reschedule repayments. This country's hard currency trade surplus in the first eight months of this year amounted to \$493m, compared with \$615m in the same period of 1983. In

The Polish Government yesterday declared illegal the new Solidarity council formed this week and warned Mr Lech Walesa, union leader, and his seven members that they risk imprisonment for violating the law, AP reports from Warsaw. The government statement came as the authorities issued summons for questioning to Mr Walesa and at least four of the seven former underground unionists who formed the new council.

August this year exports were 12 per cent and imports 6 per cent below their level a year earlier.

Even with the possibility of a \$600m surplus on services

and remittances, Poland is likely to have less than \$1.5bn disposable hard currency, this year, far short of its debt servicing requirements.

Poland has appealed to both western governments and banks for additional debt relief and/or new credit. The creditors will not grant Poland any fresh credit until it shows it can stick to existing rescheduling agreements. The Poles have responded that they cannot do those agreements unless they get new credits.

The only hope of breaking this impasse is seen to be an IMF loan to give the economy much-needed breathing space and an IMF programme to reinforce the modest market-oriented reforms outlined by the government.

An IMF programme could provoke opposition from hard-liners in the ruling party

Subroto says Opec may raise quotas

By John Murray Brown in Jakarta

DR SUBROTO, Indonesia's Energy Minister, is confident production quotas under the Organisation of Petroleum Exporting Countries interim output sharing agreement would remain and may even be raised at the Opec conference in Geneva next week. Before leaving for Geneva, Dr Subroto predicted demand in the fourth quarter would increase to 16.8m barrels per day (Opd). This compares with Opec's current output ceiling of 14.8m bpd, agreed by the 12 member countries on August 4. Iraq is not party to the accord, which is set to run to the end of October.

Actual output has probably been less, with estimates for the first two weeks of September well within the limit at between 14.2m bpd and 14.8m bpd.

As a result of Opec's production quotas Dr Subroto said prices would "creep" but in the seventh year shall be a sabbath of solemn rest for the land, a sabbath unto the Lord: thou shalt neither sow thy field, nor prune thy vineyard. That which groweth of itself of thy harvest thou shalt not reap, and the grapes of thy vineyard thou shalt not gather: it shall be a year of solemn rest for the land.

Recent reports from all consultants suggested non-Opec production was likely to fall by 2.3 per cent in 1987 if prices remained between \$10 and \$18 a barrel. Dr Subroto was more cautious on whether a long-term price strategy could be achieved.

"I don't expect we can agree on this in one meeting," he said. "Many meetings will be needed." He did not say whether Indonesia would support an increase in the quota at the meeting on Monday. In February, along with other Opec members, Indonesia abandoned Opec's official pricing mechanism, which was pegged to that of Saudi Arabian light, in favour of the "realisation price" on the spot market.

However, Indonesia, the only Opec member in Asia, is keen to reach agreement on stabilising prices. Its economy, which relies on oil for 70 per cent of export earnings and 55 per cent of state budget revenues, has been badly hit by the recent fall in world prices. Official figures predict a 30 per cent drop in oil revenues from \$12.44bn (£8.7bn) in fiscal 1985-86 to \$8.62bn this year. The Government last month announced a 45 per cent devaluation of the rupiah to reduce a projected current account deficit of \$9m this year.

Israeli coalition still deadlocked

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S coalition partners, the Labour Alignment and the Likud, remained deadlocked yesterday over Labour's demands for an equal role in the running of the economy after Mr Yitzhak Shamir, the Likud leader, takes over as Prime Minister in 10 days' time.

With all the key economic portfolios in Likud hands, Labour is fearful that its current high standing in the opinion polls could rapidly dissipate under a Shamir-led government prepared to restart the currency printing presses after two years of austerity.

At an indecisive meeting yesterday between Mr Shimon Peres, the outgoing Prime Minister, and his successor, the

Labour leader reportedly insisted that Mr Gad Ya'akobi, Labour's less-than-busy Minister of Economy and Planning, in future should have the same standing as Mr Moïse Nissim, the Likud Finance Minister.

In addition, Mr Peres is insisting that Mr Yitzhak Moda'i, the former Finance Minister, forced out of the Cabinet, not be allowed to return to the Government.

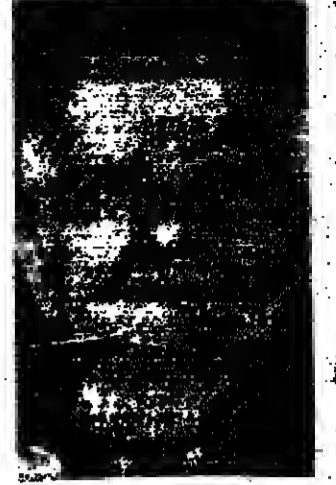
Both sides have chosen to make an issue of principle out of this.

Mr Shamir also said yesterday he expected to have the Liberal faction leader back in the post-ratification Cabinet as Justice Minister, the position he held briefly during the summer.

As a reluctant Labour Party prepares to hand over the post of prime minister to its rivals, concerns over the advantages this could give Likud, as the incumbent party, in the run up to the next general elections continue to emerge.

The latest proposal from Labour, bizarre though it may appear, is for the two coalition partners to switch positions every three weeks following the end of Mr Shamir's 26-month term, prior to the holding of fresh elections.

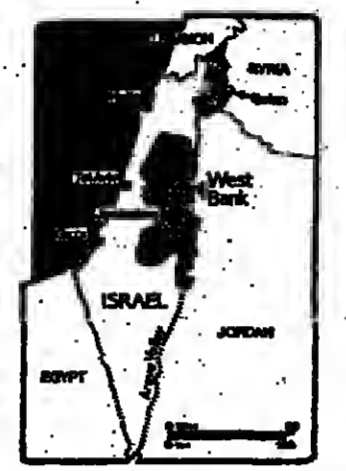
This Swiss cuckoo-clock approach to government would aim at ensuring that no one side gained an unfair advantage during those decisive days.



Yitzhak Shamir.

Andrew Whitley reports on why Israelis are giving up their land Holy Land prepares for fallow year

Six years thou shalt sow thy field, and six years shalt prune thy vineyard, and gather in the fruits thereof. But in the seventh year shall be a sabbath of solemn rest for the land, a sabbath unto the Lord: thou shalt neither sow thy field, nor prune thy vineyard. That which groweth of itself of thy harvest thou shalt not reap, and the grapes of thy vineyard thou shalt not gather: it shall be a year of solemn rest for the land.



FOR MANY in the Holy Land the biblical injunction is no anachronism. Every seven years, farmers in orchards in Israel as well as pockets of the west bank are left untended, gardens allowed to run wild.

During the "Shmita" or fallow year, ultra-orthodox Jews, rigorous in their literal interpretation of the Old Testament, will only buy produce from the southern Arava Valley (the five Books of Moses) as being part of the biblical land of Israel and thus excluded from the edict.

Others, unable to afford to leave their lands fallow for a full 12 months, are compelled to sell them to local Arabs for the duration, under uncomfortable "buy-back" deals combining pragmatism with religious observance. The year 5747 in the Jewish calendar commences today. Once again, the seven-year cycle has come full turn, compelling the country to come to terms with that explicit passage from Leviticus.

locally-made food products bear a rabbinical stamp. A few defiant members of left-wing kibbutzim may continue to revel, irreverently, in their Saturday barbecues of roast pork. An increasing number of ordinary, observant Jews, however, will insist when eating out that the restaurant has been certified not just by the Chief Rabbinate, but by their own personal religious leader.

The solution adopted by the rabbinate for the problem of reconciling the conflicting demands of Shmita and modern agriculture is an ingenious one, dating back to pre-independence days when Jewish pioneers were returning to Palestine to farm the lands of their ancestors.

As Rabbi Pollach at the Chief Rabbinate's office explained, nowadays most Jewish Israeli farmers—perhaps as many as 90 per cent—authorize the rabbinate to sell their fields to a single, designated Arab for one year.

A contract is drawn up and a token payment made, the balance to be paid at the end of the term; never, of course, being collected as the lands are

then automatically "sold" back. Earlier this week the transaction had, as usual, been completed, Rabbi Pollach said. He did not disclose the name of the lucky temporary owner of Israel's hard won lands. It is an arrangement which works well for most Israelis, apart from the minority of farmers on each end of the political spectrum, who either reject outright the rabbinate's interference, or else regard this stratagem as a base ploy to circumvent God's will.

Kibbutz Migdal Oz, a religious commune on the West Bank, is grappling with its conscience on the matter. The kibbutz, whose name means Tower of Strength, has orchards and fields under annual crops. The orchards normally pose no problems because, with a little pre-planning, one can avoid having to plant or take any special care of the trees.

The grain fields are a different matter and usually they are sold to local Arabs for the year, though, as Mr Yitzhak Moda'i, secretary of the kibbutz, hastens to add: "We don't like to do it."

To continue to take care of the orchard produce, the customary solution adopted by this kibbutz and others is to hand the land over to the religious supreme court, the Bet Din, for the year. The Bet Din administrators the lands, marketing its produce and paying the usual owners a salary.

As this device is deemed "glatt kosher" — pure as it can get — by the ultra-orthodox, the apples, peaches, grapes and so on produced by the Bet Din can be sold with safety in Mea Shearim and Bnei Brak, the main concentrations of these Jews.

Kibbutz Migdal Oz says, however, that it has a problem with its orchards this year. So,

if its members cannot get good salaries from the religious court, the fruit trees may also have to go the way of the fields. On the national level, the impact of the fallow year varies from one crop to another. Cotton, being an annual, suffers more than say, grape production, acknowledged the man in charge of the Shmita laws at the cotton board.

"Almost all" farmers cooperate in selling their lands to the rabbinate, he said. Otherwise they would not get the vital Kashrut stamp, the religious seal of approval. For their part, the ultra-orthodox simply leave their cotton picking for two years.

Over at the fruit production board, Mr Ezra Meir, its chairman, was breezily confident that output would not be down in the year 5747.

"There's no problem. We work together with the rabbinate, and we plant earlier in anticipation," he said. Now did Mr Shlomo Reisman, general manager of the farmers' federation, feel the Shmita year would have any significant practical effect on agriculture. In the 1940s, under the British mandate, it had a big impact, he said. No longer.

Less sanguine, though, was Tnuva Exports, a branch of the giant Histadrut labour federation. It forecast a drop of 5 per cent in citrus production because of the expected halt in work by the ultra-orthodox.

As for Israel's booming army of landscape gardeners — self-employed environmental beauticians — many are looking for another job for the year. "Working on the gardens of non-observant Jews and foreigners is still an option. The lucrative large municipal garden projects are ruled out, however, as is landscaping the ugly new settlements sprouting up all around Jerusalem.

Spanish group to seek faster debt repayments

By David White in Madrid

UNION Explosivos Rio Tinto (ERT), Spain's leading chemicals group, has begun talks with Spanish and foreign creditor banks to try to accelerate repayment of the remainder of its debt.

The talks are aimed at lifting some of the constraints placed on ERT under a rescheduling agreement signed in 1984, a year and a half after the group ran into a crisis over debts amounting to some \$1bn (£700m).

ERT said yesterday the company was making individual contacts to prepare the ground for renegotiating terms. The refinancing and chemicals group reduced its losses to Pta 703m (£3.7m) last year from Pta 10,350m in 1984 and expects to end this year firmly in the black, in spite of the impact of lower oil prices on its sales outlook.

A Pta 35m divestment programme to help repay its debt was completed a year ahead of schedule and the outstanding debt — some Pta 400m — has been brought down to the level originally planned for the end of 1987.

The central issue in the negotiations is that of "participative credits" which banks accepted in lieu of interest payment and foreign exchange losses.

ERT wants to swap them for ordinary debt equivalent to part of the amount. Bankers said the company had propped 10 per cent but they had asked for 40 per cent.

Paris acts against terror threat during Pope's visit

BY PAUL BETTS IN PARIS

THE FRENCH Government has taken exceptional security measures for the Pope's four-day visit to Lyon and the Rhone-Alpes region starting today because of renewed fears of terrorist attacks in France.

About 10,000 police and gendarmes have been mobilised for Pope John Paul II's third visit to France. The security is much more intense than during the Pope's two previous visits in 1980 to Paris and Liegeux and in 1983 to Lourdes.

Mr Denis Baudouin, the Prime Minister's spokesman, said the Chirac administration was taking "very serious" new threats by terrorist groups of bombings in France. The latest threats have come from the Armenian terrorist group known as Asala also demanding like the Lebanese extremists, the release from French prison of one of their members.

Mr Baudouin indicated that the latest threats coupled with the Pope's visit and the Jewish New Year celebrations were causing concern to the Government and the security forces. Earlier this week the Government decided to cancel all police leave.

What appears to worry the security forces is the possibility of an incident during one of the large crowd gatherings during the papal visit.

Nearly half a million people including pilgrims from all over the country are expected to attend the mass in the Lyon trade fair ground this afternoon. About 50,000 young people are also expected to crowd the Lyon football stadium on Sunday to see the Pope.

President Francois Mitterand is expected to discuss the problems of terrorism with the Pope after he greets him today

Fewer jobless says Bonn

UNEMPLOYMENT in West Germany fell last month and looks likely to do so again this month to touch the 2m mark for the first time in four years, the government said yesterday. Reifer reports from Bonn, the number out of work in September dropped to 2.05m, or 8.2 per cent of the workforce, from 2.12m in August, according to Federal Labour Office figures. If the weather remained mild, unemployment in October

could drop further, Mr Heinrich Franke, Labour Office president, said in Nuremberg.

This would be welcome news for the centre-right government of Chancellor Helmut Kohl as it prepares for national elections in January.

The Labour Office said much of the improvement was due to seasonal factors. Even when corrected for seasonal fluctuations, however, unemployment last month dropped to 2.19m from 2.20m in August, it said.

Iran warns it may occupy a substantial part of Iraq

BY ROGER MATTHEWS, MIDDLE EAST EDITOR

IRAN HAS stepped up its propaganda war against Iraq. It said it may have to occupy a substantial part of the country to ensure the overthrow of President Saddam Hussein.

Mr Ali-Akbar Felayati, the Iranian Foreign Minister, said at a press conference at the United Nations in New York that the six-year war was approaching its end with the final punishment of the "Iraqi aggressors."

"We are not going to occupy the lands of Iraq for ever," he said. However, just as the Allies did not halt until they had finally defeated the Nazis, so Iran could not stop until the entire regime in Iraq had been swept away, he said.

There were further artillery exchanges on the southern part of the war front yesterday and reports from Tehran that Iran was reinforcing its already substantial forces along the border in preparation for the "final offensive."

Iran's statement yesterday could cause renewed tensions with Syria, its principal Arab ally. President Hafez al-Assad made clear this week that

although he supported Iran in the war he could not accept seizure of Arab territory. A Syrian diplomat was kidnapped at gun point in Tehran yesterday morning but, according to a statement from Damascus, was freed some hours later. There was no information from Syria or Iran about the identity of the kidnapers.

The relationship between the two countries has been punctuated by accusations over delayed Syrian payments for Iranian oil. There is understood to be a considerable sum outstanding.

The seriousness of the economic recession caused by the collapse in oil prices is evident in the Iranian decision to ration petrol for private motorists. It reflects the increased success of Iraqi attacks on Iranian tankers and oil facilities and probable stockpiling by Iran in preparation for the next offensive.

In Baghdad yesterday it was announced that President Hussein had approved the execution of seven men accused of taking bribes from companies seeking business in Iraq.

Cairo election 'landslide'

BY TONY WALKER IN CAIRO

EGYPT'S ruling National Democratic Party received almost 98 per cent of the ballots cast this week in an election for the Upper House of Parliament, according to official figures.

Major General Zaki Badr, the Interior Minister, said the results of the election, which was boycotted by all five opposition parties, demonstrated "confidence in the political leadership."

The 210-member Upper House, one-third of which is appointed by the President, has no legislative powers. It functions as a consultative body. Observers expressed surprise at the high voter turnout. According to Maj Gen Badr, 81.87 per cent of Egypt's registered voters cast a ballot. This was much higher than the turnout for Lower House elections in 1984 contested by the five-party opposition. Egypt's President Hosni Mubarak had urged people to participate in this week's election "for the sake of democracy."

The opposition said it boycotted the election in protest at the electoral law which was weighted against smaller parties.

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A Financial Times Survey. REGIONAL DEVELOPMENT The Financial Times proposes to publish a survey on the above on Thursday November 27 1986 For further details, contact ANDREW WOOD on 01-248 5114 FINANCIAL TIMES Europe's Business Newspaper

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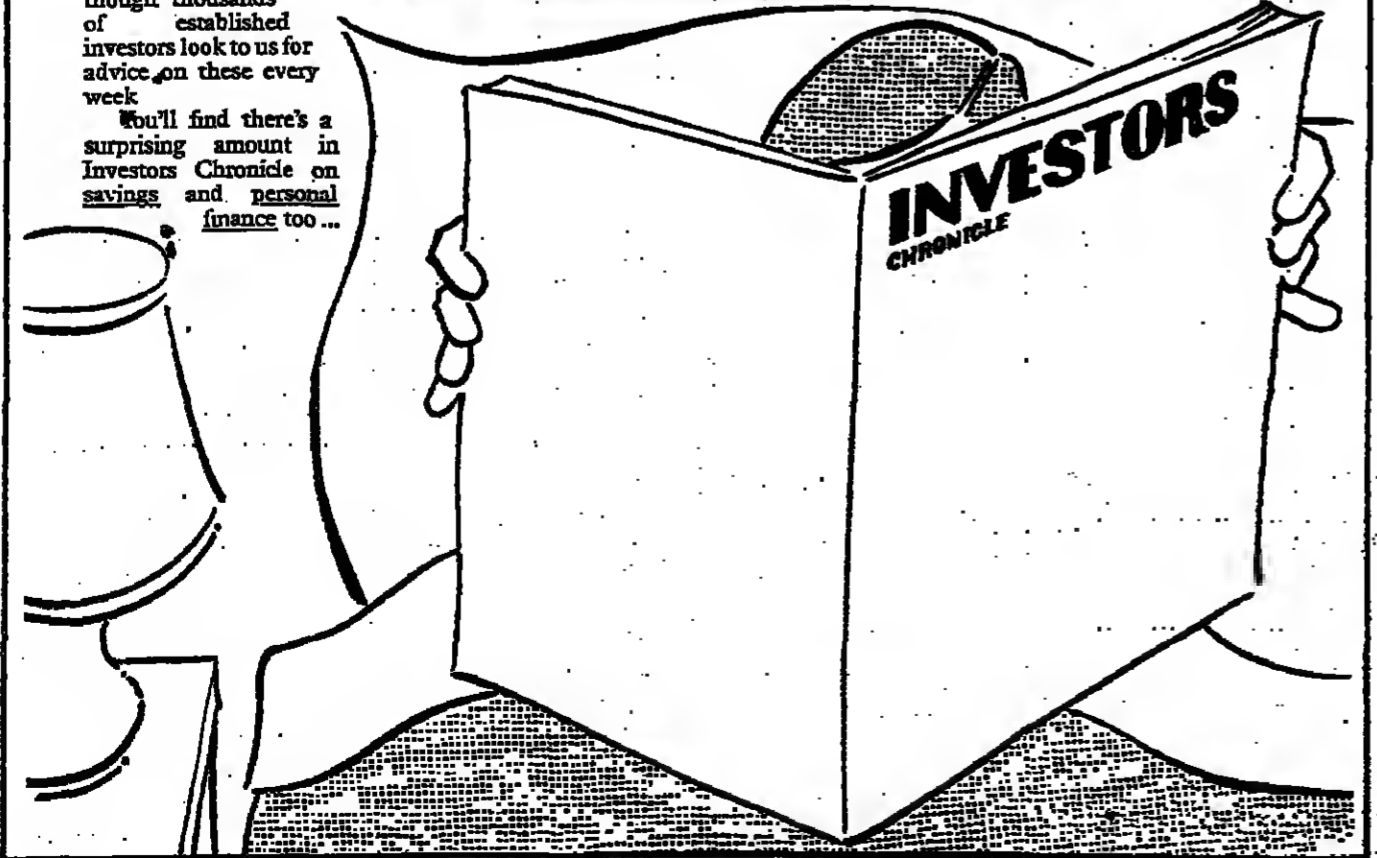
BASE LENDING RATES table with columns for bank names and interest rates.

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How to build up your savings faster. How to get a bigger income. Pay less tax. How to pick the best Unit Trust. And if you are looking to learn about the stockmarket, there's plenty here too. Should you go for British Gas? What about Rolls Royce? British Airways? And the others... There's even a weekly "Absolute Beginners" guide to explain investment in detail. Whether you're a novice or an experienced old hand, you'll soon pick up a lot of valuable tips. And all from the comfort of your own bedroom! Investors Chronicle is at your newsagent this Friday. See how it feels to make a bit of money. It's easy.



Handwritten signature or note at the bottom of the advertisement.

Mexico to seek further debt concessions

BY PETER MONTAGNON IN MIAMI

MEXICO REGARDS the \$6bn (\$4.2bn) loan package negotiated with its foreign bank creditors this week as only an interim solution to its \$97bn debt problem...

IMF says rescue package should not set precedent

The \$12bn (£8.3bn) rescue package for Mexico should not be seen as a blueprint for other debtor nations, International Monetary Fund officials said yesterday...

Reagan set to veto toxic waste clean-up programme

CONGRESSIONAL negotiators have agreed on a \$2.5bn (£1.62bn) toxic waste clean-up programme, to be financed partially by taxes on crude oil...

THE SOUTH AFRICA SANCTIONS VOTE

Mixed response from Americans

By Anatole Kalatsky in New York

THE SANCTIONS legislation passed by the Senate against South Africa elicited a broadly favourable response in US public and political opinion yesterday...

US companies pressed from both sides

BY JIM JONES IN JOHANNESBURG

SOME sectors of the South Africa economy reacted instantly to the news of the imposition of sanctions by the US Congress...

There is little to indicate that the South African Government is prepared to grasp the political nettles needed if US sanctions proposals are to be reversed...

The Deciduous Fruit Board in the western Cape exports 1.5m boxes of deciduous fruit...

Some sectors of the South Africa economy reacted instantly to the news of the imposition of sanctions by the US Congress...

The first half of this year totalled \$20.3m. The ban on uranium exports will affect sales of uranium oxide worth \$75m last year and uranium compounds worth \$65m.

Management buy-outs are favoured disinvestment procedure as they give South African customers the assurance of continuity of management and supply of products and service.

Stiffer EEC sanctions unlikely

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE US Senate's decision to override President Reagan's veto of a package of sanctions against South Africa does not mean that the likelihood of a further strengthening of the European Community's own measures against Pretoria.

ANC and frontline states applaud Congress decision

BY VICTOR MALLEY IN LUSAKA

THE African National Congress and the black frontline states in southern Africa yesterday applauded the decision of the US Congress to press ahead with economic sanctions against Pretoria.

US car sales down 16.7%

BY DAVID OWEN IN NEW YORK

SALES of domestic-built cars by General Motors declined 25.3 per cent in the September-21-30 period while Ford was down 19.9 per cent and Chrysler rose 7.7 per cent.

US dockers end strike as contract is extended

BY DAVID OWEN IN NEW YORK

DOCKERS in 11 ports on the north-east coast of the US were due to return to work this morning, ending a three-day strike...

Dutch lose drugs case

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE international pharmaceuticals company Hoffmann-La Roche has won a 12-year court battle with the Dutch state over the price of two of its best known products...

Singapore tourism

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SINGAPORE plans to spend \$81m (£51m) over the next five years upgrading tourist facilities and combating the decline of the tourist trade...

Norwegian krone hit by devaluation rumours

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE NORWEGIAN krone was hit by a wave of selling yesterday as foreign exchange markets reacted nervously to rumours of another Norwegian devaluation ahead of next year's budget...

David Gardner reports on how Nicaragua is facing up to shortages and revived Contra forces

BY DAVID GARDNER

Nicaragua's left-wing Sandinistas are facing up to grim resolve to the imminent prospect that US-backed Contra forces, flush with \$100m in aid from Washington...

FORCED DISPOSAL HIGHLY IMPORTANT PUBLIC AUCTIONS

OF SEVERAL HUNDRED EXCEPTIONALLY FINE AND MEDIUM QUALITY, HANDMADE PERSIAN CARPETS RUGS AND RUNNERS

Advertisement for Persian Carpets and Rugs, including details on auctions and contact information for H.M. Customs & Excise.

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appoints
chief
for BNP

SDP prop
to link pa
productiv

Reuters
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Receives
Welsh ab

Lords
appointed

**Priv
ate
enterprise
about to
open up the
biggest
opportunity
since
Moses
parted
the
Red
Sea.**

**ate
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tunity
Moses
d The
Sea.**

The Channel Tunnel will be a vital link in Europe's communications in the 21st century.

It will take high speed passenger trains, freight trains and shuttles specially built to whisk cars, coaches and lorries across the Channel to the Continent.

You and your car will be able to cross the Channel at speeds of up to 100 mph. With the handbrake on.

Any time, night or day. Three hundred and sixty-five days a year. Come fog, gales or snow.

Thanks to one of Europe's greatest engineering

projects of the century, you could travel non-stop from the heart of London to the heart of Brussels or Paris in about 3 hours. Without going near an airport.

It will run between Folkestone and Fréthun near Calais. It will help create jobs in Britain. And help stimulate British trade across Europe.

The Channel Tunnel is to be built by Anglo-French private enterprise at a cost of over 2.6 billion pounds - none of it provided by the taxpayer. Roll on 1993.



ASSUMING COMPLETION OF THE HIGH SPEED RAIL LINE CURRENTLY PROPOSED IN FRANCE LONDON TO BRUSSELS
ISSUED BY MORGAN GRENFELL & CO. LIMITED AND ROBERT FLEMING

TWO HOURS FIFTY MINUTES LONDON TO PARIS THREE HOURS FIFTEEN MINUTES. SUBJECT TO PARLIAMETARY APPROVAL
& CO. LIMITED ON BEHALF OF EURO TUNNEL, PLC AND EURO TUNNEL, SA.

Anglo-Soviet link for sending probe to Mars

By Peter Marsh

BRITISH and Soviet scientists are to collaborate on a project to send an unmanned probe to Mars. The co-operation arises from an agreement by the two countries on space science.

Mr Roy Gibson, director general of the British National Space Centre, said yesterday the agreement was the most significant advance so far in bringing the two countries together in space activities.

Ford offers diesels at petrol car prices

By Kenneth Gooding, Motor Industry Correspondent

FORD'S new sales incentive programme includes what the company claims is the first variable-rate, low-cost finance scheme to be offered in Britain as well as some diesel cars for the price of petrol-engine versions.

Eric Short analyses the life assurance debate over what investors should be told Battle over expenses disclosure intensifies

LIFE ASSURANCE companies are preparing for the next, and probably final, round in the battle over disclosure of expenses to be charged to investors under the Government's financial services legislation.

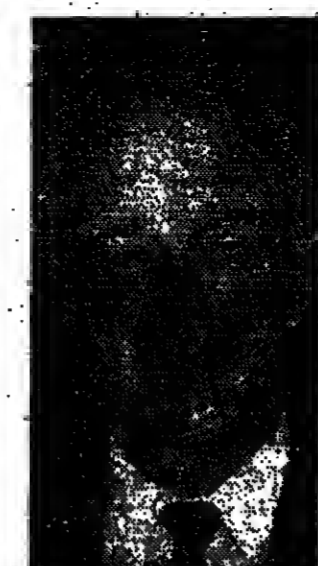
However, the Securities and Investments Board (SIB), the body that is drawing up the rules and is to be the overseer of the new regulatory system, has come out against a requirement of full disclosure of commissions.

The SIB has come out against a requirement of full disclosure of commissions

contracts of the central theme that underlies the proposed legislation - that investors be provided with full information about their investments.

Mark Weinberg: Sparked further criticism

The SIB favours disclosure only concerning surrenders. Despite considerable, continuous pressure from various sources, the board has not changed its decision.



Mark Weinberg: Sparked further criticism

When declared, the bonuses become guaranteed. Many who attack the stance of the SIB and the life assurance companies have seemed far from clear on how the with-profit system works.

low values, that an investor would receive, if he or she were to surrender in the early years, would not only demonstrate the effect of costs, but emphasise the long term nature of saving through a with-profit life assurance policy.

So far the two professional actuarial bodies have remained silent

periods, the premium expense loading may not mean much in terms of the expenses incurred. So far, the two professional actuarial bodies - the Institute of Actuaries in London and the Faculty of Actuaries, in Edinburgh - have remained silent on whether disclosure of charges is feasible or realistic.

Move by Lloyd's broker

By Nick Blunker

RICHARDS LONGSTAFF INSURANCE, the London-based Lloyd's broker, has revealed plans to set up a European insurance and reinsurance broking company based around the six staff defecting from C. T. Bowring, one of Britain's biggest broking groups.

aviation and general insurance broker, Mr Nicholas Lund, its finance director, said the staff from Bowring would be "their own masters" and would initially own 40 per cent of the new company, called Gracechurch.

Second Australian group in deal for radio stake

By Raymond Snoddy

THE INDEPENDENT Broadcasting Authority has agreed in principle to a second Australian broadcasting group taking a significant slice of Britain's independent local radio system.

Second Australian group in deal for radio stake

By Raymond Snoddy

ian company, took a stake in 14 ILR stations including 49.9 per cent of LBC, the other London commercial station.

Licensed deposit taker stops trading

By Hugo Dixon

ORIENTAL CREDIT, a London-based licensed deposit taker, stopped trading yesterday. The main business of the company, controlled by Middle East interests, was trade finance in the Middle East and Nigeria.

ECONOMIC DIARY

TOMORROW: Mr Caspar Weinberger, US Defence Secretary, begins visit to Asia and western Europe. World Energy Conference opens in Cannes (until October 11). Soviet Vice Foreign Minister arrives in Peking for Sino-Soviet talks.

Advertisement for McCarthy Online services. Text: 'Damned unfair, really. Expected you to know what the South China Morning Post said about your competitor's new electronic last week.' Includes a large image of a person's face.

Advertisement for Dowty Group chief executive. Text: 'Dowty Group chief executive... Because of ill health, Mr Dennis Morgan has been obliged to relinquish his post as chief executive of DOWTY GROUP.' Includes a photo of Mr A. N. Thatcher.

Advertisement for McCarthy Online services. Text: 'On the other hand, if he did, so could you.' 'In business and finance, being well informed is usually the difference between being successful and unsuccessful.' Includes the McCarthy Online logo and contact information.

Table titled 'F.T.-ACTUARIES SHARE INDICES QUARTERLY VALUATION'. It lists various equity groups and sub-sections with columns for market capitalisation as at Sept 30, 1986, and as at June 30, 1986, along with percentage changes.

Bear market in UK futures

FREE MARKETS know no loyalties. They have had no stauncher advocate than Mrs Thatcher, but now they are persistently embarrassing her. The British Government has, in response, become a convert to managing markets, intervening in the foreign exchanges and trying to persuade the major economic powers to agree on world-wide stabilisation. The results have been unimpressive, and nails will be closely bitten in the week of the Conservative party conference.

On a short-term view, this is all perverse and unfair. Last month's trade figures were very bad, but almost certainly unrepresentative — and it is in any case years since markets were obsessed with monthly trade figures. The boom in consumer credit, and consequent bloated growth of broad money, has made sterling vulnerable, but that weakness has already been reflected in a sharp fall in the currency's trade-weighted average, and a still sharper fall against our main competitors in Europe and Japan. This should offer British exporters a keen price edge for some time. Recently, the CBI at last detected some moderation in pay settlements. On these considerations sterling should look like a good buy even without its present interest rate differential, let alone requiring a further jump in rates against the world trend.

However, markets require some long-term reassurance if they are to shrug off short-term disturbances, and this is lacking at present. Politically and economically the future looks highly uncertain. The next British Government, whatever its colour, will have to make some painful adjustments. The fall in oil revenues which is already undermining the current account and the Government's tax revenues will be compounded by a fall in output. This will, for a period, be much faster than last year's medium-term forecasts suggested.

Telling parallel
The oil price fall has led to savage cuts in exploration and development expenditure — not only in the North Sea, but all over the world. Sooner or later this will lead to an oil price rebound, as marginal wells drop out. Until then, the real national income will be hit. This implies either a yawning trade deficit, or a determined attempt to cut private and public spending, after years of seemingly effortless increase. If sterling was weak when the going was easy, it is not surprising that it should be weaker when the going looks tough.

How tough it will be depends on two factors which the Government cannot or does not choose to control. The first is the prospect for world growth — the question on which the Group of Five were split during the IMF meeting in Washington. In spite of their agreed forecast of sustained though fairly sluggish growth in 1987, their perception of the risks in this forecast is radically different. The US Administration, with the President's firmly declared concurrence, fears that nobody is taking their own adjustment efforts as seriously as they deserve. The US budget, they claim, is being tightened significantly on a cyclically adjusted basis. US external demand, which has led world expansion for five years, should shrink. The Americans fear this will create a vacuum, sucking world trade into a recession, and debtor countries into default. Germany, especially, which is enjoying accelerating growth, does not believe a word of this, and is more worried about excessive money creation, notably in the US reserve system. Like most arguments about the future, this one is haunted with images of the past. The Americans are thinking in terms of the 1929 crisis, with falling commodity prices, debt defaults and deep farm depression. The Germans are thinking in terms of the 1970s, with dollar expansion, benign neglect of the exchange rate, and a subsequent inflation crisis. Twelve months from now, it will be much easier to say which is the more telling parallel.

Pressing question
Within the same 12 months British voters may also have to choose a new government. Unfortunately, the two main contenders for office seem to be living in the past. The Labour conference, which has just ended, for all its new unity and moderation, seemed concerned to abolish the last seven years as some kind of nightmare interruption to a happy social progress; there was all too little recognition that the last Labour Government faced and failed to solve problems which are likely to reappear. The next week will show whether the Conservatives have more to propose than a prolongation of the last seven years, tacitly ignoring that the economic underpinning has gone. Meanwhile, the Chancellor will face a much more pressing question: how to respond to the market pressures he has failed to control. Unless the consumer borrowing boom suddenly peters out (which is most improbable), he will face an unpalatable choice between higher interest rates (or some other curb on overspending) and a constant incipient sterling crisis. His actions will do more to determine Conservative prospects than anything in his conference speech.

Hard search for the heart of the matter

By Richard Evans

THE media's treatment of drugs stories has been increasingly alarmist: Britain about to be swamped with cocaine; boy of 14 dies from drugs cocktail; CBI warns on drugs problem in industry. It sometimes seems as if the City and the country's boardrooms are awash with drugs and the nation's youth turning en masse into junkies. Is this just headline writers' hyperbole?

Most evidence about drug abuse is anecdotal rather than statistical, but it is estimated by doctors specialising in chemical dependency illnesses that 10 per cent of secondary school children in England have used illegal drugs at some time. In inner cities the problems are much worse. Ms Judd Barker, a drug abuse officer in Southwark, says drug taking is endemic on south London estates, with many children starting to experiment with glue sniffing from the age of nine. She tells a horrifying story of the local economies of drug trafficking. A 17-year-old, asked how he managed to finance his habit on the dole, said he spent his £23 Giro benefit cheque on a selection of drugs, divided and resold them and within three weeks was making a profit of over £300.

People in all walks of life, however, from City whizz kids to the Glasgow long-term unemployed, are affected. According to Home Office statistics there were just over 9,000 registered addicts in Britain in 1985, an increase of about a quarter on the previous year, but experts reckon the true figure is between five and 10 times higher. Mr Dave Turner, co-ordinator of the Standing Committee on Drug Abuse (Scoda), an umbrella group for organisations working in the drugs field, estimates the total at 60,000 to 70,000.

The scale of the problem is also roughly indicated by the record 30,500 drug seizures by Customs and police last year, 7 per cent more than in 1984 and three times the 1975 total. The number of people found guilty or cautioned for drug offences was also a record at 26,000 last year. A widely needed rule of thumb suggests that for every package seized nine go undetected. The incentive for smugglers is huge. For example, a kilo of cocaine available for £5,000 in Colombia is worth £180,000 on the streets in the UK.

A Commons Select Committee in a recent report called drug abuse "the most serious pesticide threat to our national well-being." How and why did it happen? In the mid-1950s there were only 50 registered heroin addicts in the country, who received their supplies from doctors. There was no organised black market and the only illicit

heroin available came from "spillages" from prescriptions and breakins at chemists. Even in the early 1970s there was only a small sub-culture of addicts centred mainly in London, able to buy illicit supplies from war-torn South-East Asia. UK ports and airports were used primarily as trans-shipment points between the "Golden Triangle" producer countries of South-East Asia and Europe and the US.

The Home Office dates the beginning of the present epidemic of heroin — still regarded as the main problem — to the toppling of the Shah of Iran, when wealthy Iranians fled the country with their assets, converted into easily saleable drugs.

This was followed by a bigger flood of heroin from Pakistan after the Soviet invasion of Afghanistan had affected the established supply routes. Some observers have linked the spread of heroin to social conditions, particularly the growth in unemployment, but the causes of drug abuse are multiple, varied and changing. One persuasive reason is the increased availability of high-quality, low-cost supplies which now come as much from India as from Pakistan, where the authorities have tightened up considerably. The going rate on the street for heroin has remained stable at £80 to £80 a gram.

There is no sign that the growth of heroin addiction, which took the authorities by complete surprise five years ago, is levelling off. The number of registered addicts has been increasing by around 32 per cent a year. But there is a potentially big or bigger threat approaching, according to Mr David Mellor, the Home Office Minister of State responsible for drugs policy, and that is cocaine.

Following a visit last month to cocaine producing countries in South America, he forecasts that because the lucrative American market appears to be reaching saturation, the traffickers are about to turn their attention to Britain and the rest

of Europe. "It is like a Californian gold rush. The massive expansion of the cocaine trade in South America is mind-boggling," he says.

A warning signal is that last year, for the first time, seizures of cocaine in Spain and West Germany, which have closer cultural and commercial links with Colombia and Bolivia than does Britain, exceeded those of heroin. It is beginning to be brought to Europe not only by courier through Spain but by freight lorry, mainly to West Germany and Holland. In Britain last year, Customs confiscated 88 kilos of cocaine — one-and-a-half times as much as in 1984.

Its use is not confined to pop stars or the wealthy young. "We

primarily on the initiative of Mr Leon Brittan, then Home Secretary. He thought that progress would be impossible unless all the strands of Whitehall decision-making on the treatment of addicts, police activity and the seizure of drugs by Customs, could be brought together.

So a Ministerial group, codenamed MGD, was set up, chaired by Mr Mellor, an energetic publicist. "I carry very high ideological baggage on this trip — we simply have to deal with the problem pragmatically," he comments.

There has been a stream of initiatives, including educational videos, a controversial series of television advertisements and posters, fresh legislation allowing seizure of drug traffickers' assets and financial aid for Pakistan and South American countries to combat cultivation of the opium poppy and the coca plant.

Ministers argue that there is no dramatic initiative they can take to eradicate the drugs problem. They have adopted a campaign based on five strands: international action involving closer liaison and exchange of intelligence; tougher enforcement, with greater resources for Customs and police; longer deterrent sentences for trafficking; increased propaganda; and additional resources for treatment and rehabilitation.

Despite lack of resources, the Department of Health and Social Security has allocated £10m to health authorities to set up new treatment centres for addicts and it is spending an additional £50m a year to expand and improve existing facilities. It is in the area of treatment and rehabilitation that there is controversy — approaching open warfare — between two schools of thought.

In the "orthodox" treatment practised by the Government drug dependency units the intention is to get the addict off drugs as rapidly as possible. An addict with a relatively modest half-gram-a-day heroin habit (costing £35) is put on Methadone, a heroin substitute, and given reduced dosages aimed at weaning him off drugs completely within about two months.

The private sector has been quick to set up fee-paying detoxification centres to cater for the demand that the National Health Service fails to meet. Fees range from £500 a week to over £1,000.

The "unorthodox" system, practised by a small number of private doctors and by some voluntary community groups, involves a much more gradual phased withdrawal, depending more on the inclinations of the addict. The idea is to stabilise the personal background first to give a secure base before tackling the addiction. Practitioners claim that the

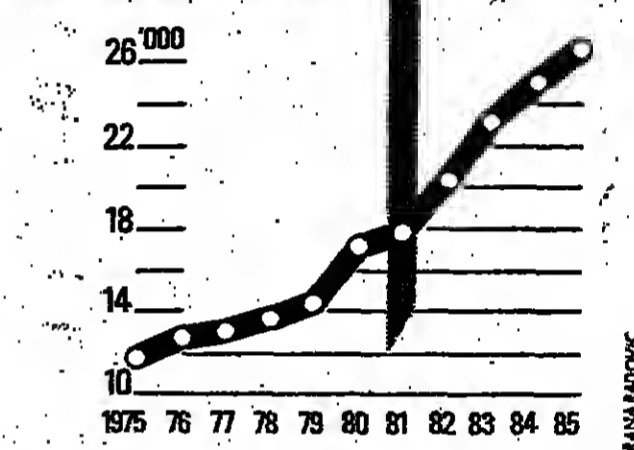
Britain's drug problem

SEIZURES

	1981	1982	1983	1984	1985
COCAINE	503	389	684	889	542
HEROIN	319	985	1,940	2,995	3,176
LSD	984	464	518	629	494
CANNABIS	19,452	21,446	24,514	25,738	17,115
AMPHETAMINE DEXAMPHETAMINE LEVAMPHETAMINE	1,076	1,645	2,329	2,756	3,314
TOTAL SEIZURES OF CONTROLLED DRUGS	19,428	21,636	26,216	28,560	30,466

OFFENDERS

Persons found guilty or cautioned



Government's drug units can be ineffective, moralistic and arbitrary and it is estimated that 95 per cent of addicts refused to seek treatment.

Mr Eric Blakeborough, who runs the Kaleidoscope voluntary project in Kingston upon Thames and has been helping young addicts for 20 years, believes that any programme has to be popular with addicts in order to achieve success.

Weeks of detoxification in a hospital followed by many months in a hostel is, he says, too much for addicts to cope with. He advocates a refined programme of Methadone treatment which overcomes the obsession to find the daily fix at any cost. He claims an encouragingly high success rate. The arguments over treatment methods are set to continue, but it is hard to see any significant decline in Britain's drugs abuse problem until the marketplaces of the wholesalers — India, Pakistan and the High Andean states — are brought under much stricter control. Propaganda and publicity, however skilful, are unlikely to work except at the margins. More Customs officers and more alert parents and teachers may be only treating the symptoms. It is only when the suppliers and traffickers are defeated that the crisis will be overcome.

Man in the News

Paul Volcker

This time a voice from the shadows

By Stewart Fleming



A YEAR AGO in Seoul, South Korea, it was a dazzling display of political pyrotechnics from Mr James Baker, the newly installed US Treasury Secretary, which dominated the headlines and the atmosphere of the annual meetings of the International Monetary Fund and the World Bank.

Fresh from his role as White House Chief of Staff, where he had helped mastermind Ronald Reagan's re-election with the promise that "it's morning again in America," Mr Baker of the assembled finance ministers, central bankers and delegates from developed and developing countries a "Baker Plan" for tackling the Third World debt crisis.

They should, he said, grow their way out of their problems rather than just tighten their belts. The industrial countries, the World Bank, the IMF AND the commercial banks would help them do it.

A few weeks earlier, the Treasury Secretary had called together the finance ministers of the major industrial countries at the Plaza Hotel in New York. There they had agreed that devaluing the dollar had to be a key ingredient in their efforts to prevent a heavy world economy from careering off the rails.

The mood in Washington this week as the IMF and World Bank delegates met again was much more sombre. Mr Baker has held no briefings for the massed, polyglot media. Instead, perhaps the most striking image has been that of Federal Reserve Board chairman Paul Volcker, a man who has yet to give an on-the-record interview, as, chairman of the IMF, so deep in thought that even headline-hungry journalists are loath to intrude.

It has been Mr Volcker's task at this year's annual meetings to help the Treasury Secretary save the Baker plan; to try to control, if not to evolve, the conflicts between the governments of the industrial countries and between the developing countries and their bankers. The Fed chairman's effort began in public even before the informal pre-meetings of the industrial world's finance minis-

ters and central bankers were under way.

On Wednesday, September 24, with Mr Baker and the European (especially the West German) finance ministers firing vituperative volleys at each other as a result of Mr Baker's threats to devalue the dollar further if its interest rates did not lower its interest rates, Mr Volcker took the stand in Congress to testify on the state of the world economy.

For the ensuing hour he carefully took both sides of the argument and spun phrases to soften the sense of confrontation — crucial given the delicacy of issues like the Mexican debt negotiation.

Yes, if the US trade deficit was to be reduced without a recession and if a protectionist backlash in the US is to be headed off, domestic economic growth in Japan and Europe must be relatively faster than the United States so the US could export more. But dollar devaluation alone would not painlessly reduce the

deficit — Mr Baker knows this too and has been examining such issues as how to correct the trade balance with countries like Korea and Hong Kong.

Moreover, Mr Volcker added, as the industrial countries seek to improve the co-ordination of their economic policies perhaps they should worry less about whether, for example, interest rates should be cut today or next month. "What is more critical than the precise timing of particular measures," he said, "is achieving a realistic understanding of the interactions among national economies."

Here was a message for both sides, but perhaps particularly for Mr Baker. Let's stop blocking, or pressuring each other to take specific actions at a particular time, Mr Volcker appeared to be saying, and focus instead on the longer-term strategy for getting out of the world's economic mess. The bickering, of course, did not stop and will continue, but it remained subdued as Mr Volcker moved on during the

early days of this week to do some arm-twisting himself with Mr Baker's help. This time it was America's commercial bankers in particular, and their international peers, who felt the noose of government persuasion.

By Wednesday of this week they had agreed to provide Mexico with some \$6bn of new money to match the funds the governments and their lending institutions are putting in.

As the negotiations went on US officials, with Mr Volcker's support, were warning that failure to bail out Mexico could again pose a threat to the stability of the world's financial system. It would, moreover, make Mr Baker's faltering Third World debt initiative look even more palsied. Did the commercial banks really want to be saddled with this awesome responsibility? Mr Volcker would be the last to claim that he has resolved any of the world's pressing problems. He is too much of a realist for that. The world economy is still faltering under

its trade imbalances and Mexico is only nibbling at the bullet of economic reform. But the Fed chairman sees progress as a process of incremental gains; to him just winning time to find solutions, just holding catastrophe at bay, is a victory.

Eight months ago at a board meeting of the Fed in Washington, the impossible happened. Mr Volcker was initially outvoted on a decision to cut the discount rate. When a month later the news broke, dire warnings about his influence in Washington and the world followed.

Today, the Fed board is less strife-bound and Mr Volcker has reasserted his authority. Some suggest the chairman has drawn the teeth of opposition to his financial conservatism by leading Fed interest rates dramatically lower as his antagonists were urging him to do at the beginning of the year.

He has also subtly shifted the date on the discount rate into the wider forum of the Open Market Committee, which he has tried to pack with officials sympathetic to his views, just as some of the men around Ronald Reagan have tried to pack the seven-man board with people sympathetic to theirs.

But the battle for influence at the Fed is about to resume. On Thursday, Fed governor Emmett Rice, of late a loyal Volcker ally, resigned. Mr Volcker, who reappointed Mr Rice, is about to nominate the sixth of the seven Fed governors. The Reaganists are wetting their lips in anticipation of seeing a supply side loyalist on the board to press the case for even lower interest rates. It is ironic that just as Mr Reagan's roddoo economics is being written off as a failure in terms of growth, capital investment and the budget deficit, its authors may be in a position to appoint the Fed board of their choice, for Mr Volcker's own term of office expires next August. It is doubly ironic, however, that because of the supply side ideology's perceived failure, the Reaganists' power of appointment may prove to be as empty as their promises. Mr Volcker may have the last word smile after all.

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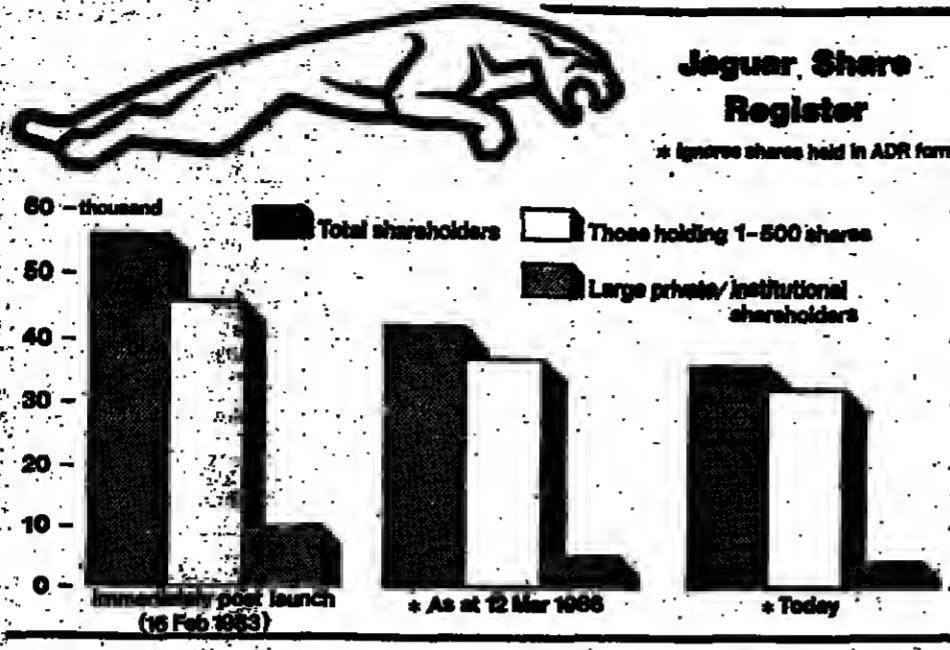
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Chance 1/30

THE PRIVATISATION LOTTERY So far, so good for the small investor



The figure was 1.57m out of a total 1.58m. So while the number of institutional holdings halved, private shareholders fell by just 6 per cent. And, although the company has yet to count the damage...

SOMEWHERE between the Cambridge and the coffee conversation... At what price did you sell your own Telecom shares?...

up a total of £13,000 in all. Having bought the shares, you simply start there, ignoring any cash calls but collecting the dividends as they roll in... You would, of course, have your losers — the two oil stocks — and a similar availability problem.

The NHS board A chairman of benign intent

By Robin Pauley

AS Mr Tony Newton, the amiable new Health Minister, he has occasionally been known to use his popular misnomer of Department of Health and Total Obscurity... Mr Tony Newton



Mr Tony Newton

All written by men

From Mrs M. J. M. Virgo... Sir—Over recent months my husband and I have read with mounting annoyance the series of specious attacks in your columns of the Chancellor's long-overdue proposals to give married women equality in the eyes of the Inland Revenue...

Letters to the Editor

ing the September 16 article, which shows a significant disparity between the Turkish economy and those of even the least advanced current members... Debt summons from the county court... The butchers' bigger cut... Forging interest for the TSB... Underwriting fiasco...

Building societies' role in reflation

From Mr K. K. George... Sir—The TSB sale might give more of a boost to the economy than perhaps Mrs Thatcher intended... Mr. Harwood has chosen the ideal location for his stable and gallops with the same skill as he chooses horses...

ADVERTISEMENT BUILDING SOCIETY INVESTMENT TERMS

Table with columns for Product, Applied rate net, Net CAR, Interest paid, Minimum balance, Access and other details. Lists various investment products from Abbey National, Alliance and Leicester, and others.

For full details see local directory. CAR = Annual yield after interest compounded. Full terms and conditions are available from individual societies on request.

UK COMPANY NEWS

Belzbergs believed to have lifted Exco stake

BY DAVID LASCELLES

First City Financial, the Canadian financial services and investment company controlled by the Belzberg family, is believed to have increased its stake in Exco, the UK foreign exchange and money broking group, from 9.8 per cent to 10.2 per cent yesterday.

through the 10 per cent limit imposed by the Bank of England on the ownership of foreign exchange brokers by banking institutions to prevent conflicts of interest.

However, the Belzbergs are understood to have made a submission to the Bank claiming that there is no conflict, and seeking clearance to hold a stake greater than 10 per cent.

Tottenham in red and looks to diversity

By David Goodhart

Tottenham Hotspur, the only publicly-owned football club to have reported a loss of £790,000 for the year ended May 31 1988 compared with last year's pre-tax profit of £683,000.

However Mr Paul Bohoff, chairman, said the results reflected the peculiarly difficult conditions in the season immediately following the Brussels and Bradford disasters, including the loss of European competition matches.

Owens-Corning on course to buy Pilkington offshoots

BY TERRY DODSWORTH

Owens-Corning Fibreglass, the US building materials group, cleared the first hurdle in its attempt to take over two Pilkington Brothers subsidiaries yesterday, when the UK Government decided not to refer the acquisition proposal to the Monopolies and Mergers Commission.

The success of the deal now hinges on the view of the West German cartel office, which is also examining the competition implications of the proposals.

and industry, said that the potential detriment to competition was not serious enough "to outweigh the employment and efficiency benefits to be gained from the strengthening of the UK fibreglass industry likely to result."

Kennedy Brookes buys Crusts

BY RICHARD TOMKINS

Crusts, the USM-quoted historic and wine bar chain, has unexpectedly agreed to a £7.7m bid from Kennedy Brookes, the fast-growing hotel and restaurant group, less than a year after being floated on the junior market.

mer employers as at one stage thought six restaurants from them.

the more affluent parts of west London and southern England, together with the Royal Norfolk Hotel in Bognor Regis. Kennedy Brookes has 56 restaurants including those trading under the Wheelers, Mario and Franco Distinctive Inns and Cafe des Amis du Vio names.

Lawtex sells clothing activity

WITH THE announcement of reduced profits for the year ended June 28 1988, Lawtex says it is selling its Lawtex Clothing subsidiary to Johnson Group Cleaners for £1.9m.

holders owning 50.89 per cent of the capital, including the directors, have indicated they are in favour.

in the 1988-89 year Lawtex group turnover came to £20.5m (£19.89m) and profit to £206,000, compared with £408,000, after interest charges of £351,000 (£352,000).

garment rental companies relying on their own in-house manufacturing facilities and it believed that would lead to increasing competition for independent retailers.

Expansion of voting rights by Ulster TV

Ulster Television reported pre-tax profits for the year to end of July 1988 up by 35 per cent from £1.6m to £2.1m and announced plans for an enlargement of the non-voting shares.

Programme sales help STV to 50% profit jump

ALTHOUGH THERE was a swing of advertising expenditure to the south east of England, the first half of 1988 saw Scottish Television retain a healthy share of revenue.

cent, from £26.73m to £31.92m, although its total share of ITV revenue declined slightly from a record 6.19 per cent in 1985 to 6 per cent.

"We must make sure we can make a profit at a much reduced level of attendance," he said. He estimated that in the current season the break-even attendance level would be about 21,000 instead of 25,000 for last season.

Brierley raises stake in Horizon

By Terry Pevey

Horizon, the UK's third largest tour operator, announced yesterday that Mr Ron Brierley's IEP Securities has increased its holding by just over 3 per cent to 15.6 per cent.

Recovery in investments value boosts Kwahu profit

The Kwahu Company had a very good year to June 30 1988, according to directors, with pre-tax profits increasing by 63 per cent from £289,651 to £391,538.

investments in gold and mining finance had been the major contributor to the 56 per cent rise in pre-tax profits.

Thos. Tilling

Thomas Tilling, an industrial holding subsidiary of IPR, lifted its pre-tax profits from £47.3m to £54.6m in the half year ended June 28 1988, with the help of an £18.6m turnaround in finance costs.

Milford Docks cuts losses

Losses have been reduced by the Milford Docks Company, although trading in 1988 continued to be difficult and resulted in further redundancies.

developers to its board, signalling its advance into property as an extension to its leisure interests. The company was said to have 150 acres of freehold land in the dock area.

Munro Corporate £2m acquisition

Munro Corporate, the issuing house which specialises in bringing small companies to the over-the-counter market, has announced a £2m acquisition of Investra Planning Associates for £2m.

Italian bank takes stake in Hambros

Legittimo Bancario San Paolo di Torino, one of Italy's highest banks, yesterday confirmed that it had taken a 6.4 per cent stake in Hambros, the UK merchant bank.

Berkeley & Hay ahead

ALONG WITH the announcement yesterday that first half profits had virtually doubled, Berkeley & Hay Hill Investments also revealed that it was acquiring investment properties in London and Brighton for £8m.

The two properties are being bought from the Dominion International Group and consideration will be payable as to £5m cash and the remaining £3m by the issue to Dominion of debentures.

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date, Corr. Div., Total Div., Total Div. last year. Includes Kwahu, Lawtex, London Boroughs, etc.

RESULTS

Table with columns: Company, Investment, Net asset value, etc. Includes Murray Electronics, Thergormorton, Merchants Warehousing, etc.

COMPANY NEWS IN BRIEF

Summary of various company news items including: KLEINWORT BENSON, HADLYN MILLING, BERKELEY TECHNOLOGY, RUSH & TOMPKINS, HAMWORTHY ENGINEERING, etc.

GRANVILLE advertisement for Granville & Co. Limited, listing various services and contact information.

Advertisement for 'Financial 50' listing various companies and their financial performance.

Advertisement for 'I.G. INDEX' and other financial services, including details on the index and contact information.

Consortium steps in to rescue Blacks

By David Goodhart

A film rescue package to save Blacks Leisure from receivership has been launched by a consortium headed by two accountants - Mr Bernard Garbacz and Mr Leslie Leaser - and Mr Alan Thornton, the son of the former chairman of Debenhams, Mr Robert Thornton.

The three men - backed by Charterhouse merchant bank - have not yet proposed an initial cash injection of £1m and a restructuring of the board.

Blacks has told the consortium that it needs between £2m and £3m to re-establish itself as a viable company and that film would only be enough to pay off the most pressing creditors.

It is understood that the consortium will be needed but negotiations are continuing over exactly how much and the form of the financial and management reconstruction.

The board of Blacks has said that full proposals must be implemented by the close of business on October 1 and that a further announcement will be made next Tuesday.

Mr Garbacz, a partner at chartered accountant Landau Morley, previously approached the board of Blacks in mid-August with plans for a cash injection.

However Blacks merchant bank Arthurnot Latham, said that Mr Garbacz had been unable to confirm that he could raise £5m.

Soon after an agreed £3.3m deal was arranged with Sears which was dropped on Wednesday when they received only 54 per cent acceptances.

The other possible bidder for Blacks, a consortium led by Mr Phil Edmonds, the England cricketer, has not made an offer, although it was suggested to Sears that it should go ahead and buy the Blacks assets leaving the consortium with a publicly-quoted "shell" as a base for acquiring other companies. Sears rejected the proposals.

It is understood that if the Garbacz deal does go through Mr Alan Thornton will take over as chairman of Blacks.

RHM in £12m deal

By Lisa Wood

Ranks Hovis McDougall, the flour milling and baking group, has paid a total of £11.7m to acquire C. Coldre, Fowcarr and Son, and Turner Bakers Bakers' Sundries, subsidiaries of Northern Foods, the diversified food group.

Acquired by Northern Foods in 1978, the Liverpool based businesses produce cake mixes and food ingredients to small bakers and some larger caterers. An egg processing business of Goldrei has been retained by Northern which uses many of the products in its other food businesses.

Northern said yesterday: "The businesses were not mainstream ones for us and we have seen profits shrink a bit. RHM is much bigger in this business than we are and it approached us about a possible purchase."

The consideration, to be paid for by a 4.9m share placing by RHM, is £11.7m of which £1.1m relates to inter-company indebtedness. The balance of the assets and profits attributable to the businesses being acquired were respectively £3.8m and approximately £1.3m for the year ended March 1988.

SIMON ENGINEERING has acquired through its U.S. subsidiary, the assets of Arthes HI Reach of Pennsylvania for \$2.5m (£1.74m). Arthes HI Reach manufactures the Sky-wheel range of scissor lift equipment.

MEGGITT HOLDINGS has acquired Whitcol Precision Engineering of Sandhurst, Berkshire, for an initial consideration of £550,000, of which £102,000 was satisfied by the issue of 79,250 shares. There is an additional maximum deferred consideration of £100,000 payable on profit attainment in year ended February 28 1988. Whitcol made profit of £97,000 on turnover of £1.7m. Net assets £460,000.

I.G. INDEX FT for October 1988-1989 (-12)

INTL COMPANIES and FINANCE

COMMODITIES AND AGRICULTURE

Nixdorf rights to raise DM 640m

BY PETER BRUCE IN BONN

NIXDORF, the fast-growing West German computer group, plans to make a one-for-six rights issue worth DM 640m at the end of this month...

burden, which hovers at around DM 100m a year. He said he had not yet decided whether to make a convertible bond or warrant issue...

Sale creates new force in US soft drinks

BY ANATOLE KALETSKY IN NEW YORK

HICKS & HAAS, a little known but rapidly expanding private partnership, emerged as the third largest force in the US soft drink market yesterday...

Pepper, the third largest US soft drink product, which is particularly popular in Texas. One of the other partners in this transaction was Cadbury Schweepes...

Daim companies to sell UMBC stake to Pernas

BY SARA WEBB, OUR STOCKHOLM CORRESPONDENT

PERNAS, the Malaysian Government investment holding company, said yesterday that it was buying a 51.5 per cent stake in United Malaysian Banking (UMBC)...

PLM earnings slip by 10%

BY SARA WEBB, OUR STOCKHOLM CORRESPONDENT

PLM, the Swedish packaging group, suffered a 10.4 per cent drop in earnings for the first eight months of 1986...

Brierley soars 92% to over NZ\$179m

BY DAI HAYWARD IN WELLINGTON

BRICKLEY INVESTMENT, the New Zealand based international investment company, achieved a 92 per cent jump in profits to NZ\$179.4m...

Pick 'N Pay grows at half-time

BY JIM IONES IN JOHANNESBURG

PICK 'N PAY, one of South Africa's largest supermarket chains, has increased its turnover trading profit faster than turnover...

Bergesen beats off Kosmos

BY FAY GJETER IN OSLO

THE joint general managers of Bergesen and Mr Smidt with Bergesen, the Norwegian shipowner, some 80 per cent of the company group have been offed...

Orerikon sees lower results for full year

BY JOHN WICKS IN ZURICH

ORERIKON-BUEHRIE, the Swiss armaments to shoes group, expects lower turnover and earnings for the current year...

Dome meetings adjourned

BY CLARE PEARSON

THE remaining two out of five meetings of holders of \$250m of dollar Eurobonds of Dome Petroleum, the oil company...

HK cable television applicant details plans

BY KEVIN HANLIN IN HONG KONG

CABLE TELEVISION Hong Kong Government. The company said it would offer a full range of services through its cable television system...

WEEKLY PRICE CHANGES

Table with columns: Latest prices per tonne, Change week, Year ago, High, Low. Includes METALS, OILS, GRAINS, and other commodity prices.

US MARKETS

Table with columns: Latest, High, Low, Prev. Includes CRUDE OIL (LIGHT), COFFEE FUTURES, and other market data.

BASE METALS

Table for BASE METALS including ALUMINIUM, COPPER, LEAD, and NICKEL with price and change data.

REUTERS INDICES

Table for REUTERS INDICES including DOW JONES and other market indices.

POTATOES

Table for POTATOES showing prices for various varieties and regions.

GAS OIL FUTURES

Table for GAS OIL FUTURES showing prices for different grades and regions.

MEAT

Table for MEAT including LIVE CATTLE and LIVE PIGS prices.

COFFEE

Table for COFFEE showing prices for different grades and origins.

SOYABEAN MEAL

Table for SOYABEAN MEAL showing prices for various grades.

COCOA

Table for COCOA showing prices for different grades.

WHEAT

Table for WHEAT showing prices for different varieties.

GRAINS

Table for GRAINS including WHEAT and BARLEY prices.

SUGAR

Table for SUGAR showing prices for different grades.

CRUDE OIL

Table for CRUDE OIL showing prices for different grades.

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CRUDE OIL

Table for CRUDE OIL showing prices for different grades.

SOYABEAN MEAL

Table for SOYABEAN MEAL showing prices for various grades.

WORLD STOCK MARKETS

NEW YORK

Table of stock prices for various companies in New York, including AGS Computers, AMR Corp, and others.

Table of stock prices for various companies, including Morton Thiokol, Halliburton, and others.

Economy fears cut early rally

STOCKS MOVED lower after an early rally collapsed on Wall Street yesterday, when the initial upward move was sparked by a report that unemployment in September rose to 7 per cent from 6.8 per cent...

Technology \$1 to \$10, Texas Instruments \$2 to \$10 and National Semiconductor \$1 to \$9.

Technology \$1 to \$10, Texas Instruments \$2 to \$10 and National Semiconductor \$1 to \$9. The AMERICAN SE Market Value Index shed 0.12 to 327.71...

PKI which would be a disaster at DM 1.05.

PKI which would be a disaster at DM 1.05. AUSTRALIA: Share markets continued their rise to record highs as investors scrambled for gold related stocks following sharp rises in world precious metal prices...

NEW YORK INDICES

Table of New York indices including Dow Jones, S&P 500, and various sector indices.

NEW YORK ACTIVE STOCKS

Table of New York active stocks showing volume, price, and change.

CANADA

Table of Canadian stock prices for various companies.

AUSTRIA

Table of Austrian stock prices for various companies.

GERMANY

Table of German stock prices for various companies.

CANADA

Table of Canadian stock prices for various companies.

SWEDEN

Table of Swedish stock prices for various companies.

FRANCE

Table of French stock prices for various companies.

NETHERLAND

Table of Dutch stock prices for various companies.

NETHERLAND

Table of Dutch stock prices for various companies.

NOTES - Prices on this page are as quoted on the individual exchanges and are listed in local currency. All prices are in U.S. dollars unless otherwise indicated.

FOREIGN EXCHANGES

Dollar slips below DM 2.00

THE DOLLAR lost ground in currency markets yesterday as the market reacted to poor US unemployment figures.

Failure to come to some sort of agreement at the G7 and meetings over the past week was definitely a minus factor for the dollar because it reverted market attention to economic fundamentals and these added further weight to the dollar's bearish trend.

at DM 1.9855 after touching a low of DM 1.9910 and compared with DM 2.0000 on Thursday. It was higher than the previous day's high of 1.9810 from 1.9535 but eased to FF 1.62 from FF 1.6200 and FF 6.5450 compared with FF 6.5725.

Starting finished slightly firmer overall, its exchange rate index closed at 68.2 up from 68.1 on Thursday but it did touch a record low of 68.0 during the afternoon.

The Bank of England gave further support by selling D-Mark financing the morning but Sterling's underlying sentiment remained bearish.

unlikely. Attention is now focused on next week's meeting of G7 ministers and the release of UK money supply figures.

The pound closed at DM 1.9825 against the D-Mark from DM 1.9780 and \$1.4425 compared with \$1.4535. Against the yen it finished at ¥222.25 from ¥220.50 and SF 2.3375 compared with SF 2.3300.

LONDON STOCK EXCHANGE

Gilts stage rally but equities lose ground

Account Dealing Dates

First Declared Last Account Dealings Next Dealings Day

The FT-100 index closed at 1234.9, down from 1240.9 on Friday. The FT-100 index closed at 1234.9, down from 1240.9 on Friday.

FINANCIAL TIMES STOCK INDICES table with columns for Index, Oct 3, Oct 2, Oct 1, Sept 30, Sept 29, year ago, 1986 High, 1986 Low, Since Completion High, Since Completion Low.

Opening 1240.9, 10 a.m. 1238.6, 11 a.m. 1236.5, Noon 1235.9, 1 p.m. 1232.7, 2 p.m. 1232.9, 3 p.m. 1234.3, 4 p.m. 1236.3

\$ IN NEW YORK

Table with columns for Oct 3, Oct 2, Previous, showing exchange rates for various currencies.

STERLING INDEX

Table with columns for Oct 3, Oct 2, Previous, showing Sterling Index values for various countries.

CURRENCY RATES

Table with columns for Oct 3, Oct 2, Previous, showing currency rates for various countries.

CURRENCY MOVEMENTS

Table with columns for Oct 3, Oct 2, Previous, showing currency movements for various countries.

OTHER CURRENCIES

Table with columns for Oct 3, Oct 2, Previous, showing other currency rates.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns for Oct 3, Oct 2, Previous, showing pound spot and forward rates.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns for Oct 3, Oct 2, Previous, showing dollar spot and forward rates.

EURO-CURRENCY INTEREST RATES

Table with columns for Oct 3, Oct 2, Previous, showing Euro-currency interest rates.

EXCHANGE CROSS RATES

Table with columns for Oct 2, Oct 1, Previous, showing exchange cross rates.

MONEY MARKETS

Bank forces the point again

THE BANK of England took the opportunity to underline its desire to retain the current interest rate structure yesterday.

UK clearing bank base lending rate 10 per cent since May 22

cope with next Tuesday's money supply figures is now seen as crucial.

FT LONDON INTERBANK RATES

Table with columns for Oct 3, Oct 2, Previous, showing FT London interbank rates.

MONEY RATES

Table with columns for Oct 3, Oct 2, Previous, showing money rates.

NEW YORK

Table with columns for Oct 3, Oct 2, Previous, showing New York money rates.

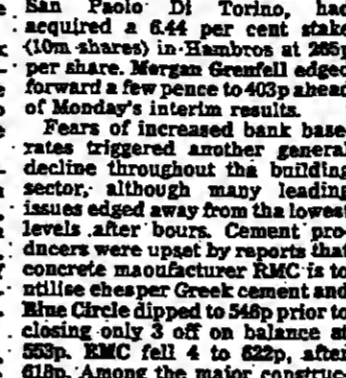
LONDON MONEY RATES

Table with columns for Oct 2, Oct 1, Previous, showing London money rates.

LONDON TRADED OPTIONS

Large table with columns for Option, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec, showing London traded options.

FT Ordinary Share Index



Oil easier

Leading oils, a firm market for much of the week as crude oil prices gained ground after Opec meeting in Geneva, turned easier following profit-taking and a withdrawal of recent American support.

Glaxo decline

Popular earlier in the week with US investors, Glaxo encountered selling from the quarter yesterday and closed the session 22 down at the day's lowest level of 943p.

Stares react fresh

Major high street retailers gave a fresh ground, albeit in relatively subdued trading, as investors shifted away from the sector.

Hambro retreat

Merchant bank Hambro, firm of late on US bid hopes, reacted from an initial high level of 245p to close 6 lower at 239p.

Traded Options

Proceedings in Traded Options were dominated by Bees which created 3,202 calls amid speculation of a takeover by British Trust.

Traditional Options

First dealings Oct 6 Oct 30 Nov 3 Last dealings Oct 17 Oct 31 Nov 14 Last declaration Jan 8 Jan 23 Feb 5 For Settlement Jan 19 Feb 2 Feb 16

For trade indications see end of Unit Trust Service

Active conditions prevailed in Options with calls struck in Pearl, Hepworth Ceramic, Conroy Petroleum, Control Securities, Dehler, Amstar, Beecham, Bannock, Comman Brothers, Ranscombe, Security, Felt International, Grant Metropolitan, Turman, Johnson and Sir Brown, Abaco, Berkeley and Hay Hill, Bristol Oil and Minerals, Markhatch, Barrie Investment and Finance, Peck, Camford Engineering, Lucas, Thomas Marshall (Laxley) and M.Y. Holdings. Puts were taken out in Amstar and Dewey Warren, while doubles were arranged in Lee International, British Security, Conroy and Redwood.

STOCK EXCHANGE DEALINGS

THURSDAY'S ACTIVE STOCKS

Table with columns: Stock, No. of Shares, Day's Change, Buy's, Sell's. Lists various stocks like M&P, Gold, etc.

5-DAY ACTIVE STOCKS

Table with columns: Stock, No. of Shares, Last, Change, Buy's, Sell's. Lists stocks like Gold, M&P, etc.

YESTERDAY'S ACTIVE STOCKS

Table with columns: Stock, No. of Shares, Last, Change, Buy's, Sell's. Lists stocks like Gold, M&P, etc.

NEW HIGHS AND LOWS FOR 1996

Table with columns: Stock, No. of Shares, Last, Change, Buy's, Sell's. Lists various stocks and their performance.

LEADERS AND LAGGARDS

Table with columns: Stock, No. of Shares, Last, Change, Buy's, Sell's. Lists leading and lagging stocks.

RISES AND FALLS YESTERDAY

Table with columns: Stock, No. of Shares, Last, Change, Buy's, Sell's. Lists rising and falling stocks.

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Section containing various stock listings and financial data, including company names and share prices.

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Friday October 3 1996, Highs and Lows Index.

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Friday October 3 1996, Highs and Lows Index. Lists various equity groups and their performance.

Table with columns: FIXED INTEREST, Average Gross Redemption Yields.

Table with columns: PRICE INDICES, British Government, All-Share Index, etc.

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Base Date, Base Value.

LONDON RECENT ISSUES

EQUITIES

Table of equity issues with columns for Issue, Price, and other financial metrics.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Issue, Price, and other financial metrics.

"RIGHTS" OFFERS

Table of rights offers with columns for Issue, Price, and other financial metrics.

Resubmission date usually last day for dealing free of stamp duty, a Assumed dividend, b Dividend based on projected estimates, c Dividend based on actual performance, d Dividend based on projected performance, e Dividend based on actual performance, f Dividend based on projected performance, g Dividend based on actual performance, h Dividend based on projected performance, i Dividend based on actual performance, j Dividend based on projected performance, k Dividend based on actual performance, l Dividend based on projected performance, m Dividend based on actual performance, n Dividend based on projected performance, o Dividend based on actual performance, p Dividend based on projected performance, q Dividend based on actual performance, r Dividend based on projected performance, s Dividend based on actual performance, t Dividend based on projected performance, u Dividend based on actual performance, v Dividend based on projected performance, w Dividend based on actual performance, x Dividend based on projected performance, y Dividend based on actual performance, z Dividend based on projected performance.

FINANCIAL TIMES SURVEY: The Financial Times proposes to publish a CREDIT CARDS SURVEY on November 10, 1986. The following subjects will be covered: 1. Introduction, 2. The Major Credit Card Systems, 3. Charge Cards, 4. New Products, 5. Banks, 6. Non-Bank Card Issuers, 7. International Networks, 8. National Systems, 9. New Technology, 10. Electronic Funds Transfer at Point of Sale, 11. Suppliers of Hardware, 12. Fraud.

EUROPEAN OPTIONS EXCHANGE

Table of European options exchange with columns for Series, Vol., Last, and other market data.

BANK RETURN

Table of bank return with columns for LIABILITIES, ASSETS, and ISSUE DEPARTMENT.

AUTHORISED UNIT TRUSTS

Table of authorized unit trusts with columns for Trust Name, Manager, and other details.

FT UNIT TRUST INFORMATION SERVICE

Table of FT unit trust information service with columns for Trust Name, Manager, and other details.

AUTHORISED UNIT TRUSTS & INSURANCES

Worcester Asset Management Ltd (G) (C) (G)	
Worcester Fund	01-235 2100
Worcester Bond	01-235 2100
Worcester Equity	01-235 2100
Worcester Money	01-235 2100
Worcester Property	01-235 2100
Worcester Income	01-235 2100
Worcester Growth	01-235 2100
Worcester Divers	01-235 2100
Worcester Index	01-235 2100

INSURANCES

AA Friendly Society 21 Victoria Road, London EC2A 4JF 01-407 9090	Abbay Life Assurance Co Ltd 50 Rotherhithe Road, Rotherhithe 01-407 9090	Acton Life Assurance Co Ltd 201 St James St, London EC1V 9JL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090	Admiral Life Assurance Co Ltd 301 Rotherhithe Road, London SE16 5NL 01-407 9090
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40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance	40th Anniversary Assurance
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BRITISH FUNDS

Table of British Funds with columns for Name, Price, and Yield. Includes sub-sections for 'Shorts (Lives up to Five Years)', 'Five to Fifteen Years', and 'Over Fifteen Years'.

AMERICANS - Cont.

Table of American Stocks with columns for Name, Price, and Yield. Includes sub-sections for 'CANADIANS' and 'BANKS, HP & LEASING'.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, and Roads stocks with columns for Name, Price, and Yield.

ENGINEERING - Cont.

Table of Engineering stocks with columns for Name, Price, and Yield.

INDUSTRIALS

Table of Industrial stocks with columns for Name, Price, and Yield.

Over Fifteen Years

Table of funds with maturity over fifteen years.

INT. BANK AND OSEAS GOVT STERLING ISSUES

Table of international bank and overseas government sterling issues.

CORPORATION LOANS

Table of corporation loans.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African loans.

LOANS

Table of various loans.

FOREIGN BONDS & RAILS

Table of foreign bonds and rails.

AMERICANS

Table of American stocks.

CANADIANS

Table of Canadian stocks.

BANKS, HP & LEASING

Table of banks, home products, and leasing companies.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit stocks.

BUILDING, TIMBER, ROADS

Table of building, timber, and roads stocks.

DRAPERY AND STORES

Table of drapery and stores stocks.

ENGINEERING

Table of engineering stocks.

INDUSTRIALS

Table of industrial stocks.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks.

DRAPERY AND STORES

Table of drapery and stores stocks.

ENGINEERING

Table of engineering stocks.

INDUSTRIALS

Table of industrial stocks.

HOTELS AND CATERERS

Table of hotel and catering stocks.

INDUSTRIALS

Table of industrial stocks.

ENGINEERING

Table of engineering stocks.

Handwritten text: 'chemicals'

PROPERTY - Continued

Table listing property companies and their stock prices, including names like 'The Property Group' and 'The Real Estate Group'.

LEISURE - Continued

Table listing leisure companies and their stock prices, including names like 'The Leisure Group' and 'The Entertainment Group'.

PROPERTY - Continued

Table listing property companies and their stock prices, including names like 'The Property Group' and 'The Real Estate Group'.

INVESTMENT TRUSTS - Cont.

Table listing investment trusts and their stock prices, including names like 'The Investment Trust' and 'The Fund'.

FINANCE, LAND - Cont.

Table listing finance and land companies and their stock prices, including names like 'The Finance Group' and 'The Land Group'.

MINES - Continued

Table listing mining companies and their stock prices, including names like 'The Mining Group' and 'The Gold Group'.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their stock prices, including names like 'The Motor Group' and 'The Aircraft Group'.

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NEWSPAPERS, PUBLISHERS

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PAPER, PRINTING, ADVERTISING

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INSURANCES

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Impeccable timing.

BAUME & MERCIER GENEVE 1830

FINANCIAL TIMES

Saturday October 4 1986



Tories bid to shed their fuzzy image

BY PETER RIDDELL, POLITICAL EDITOR

THE Conservative Party will tomorrow take the unprecedented step of launching a promotion campaign under the slogan "The next move forward" to set the theme for its conference in Bournemouth next week.

The exercise follows market and opinion research which indicates that the Conservative faithful and potential voters were uncertain about the Government's objectives. Their own views and aspirations have changed little since 1979-83 but the image of the Tories has become fuzziest.

Ministerial speeches will contain clear milestones and "benchmarks" according to a senior party official yesterday. Party activists will also be given detailed campaign literature to take back to their constituencies.

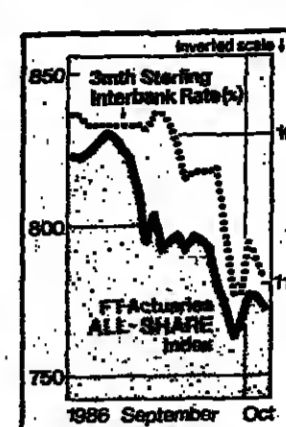
Tomorrow's advertisements, prepared by the party's longstanding advisers Saatchi & Saatchi, will say that "over the last seven years the Government has achieved what was thought impossible" and it will then refer to inflation, strike, income tax and economic growth records.

The advertisements will conclude: "Now we can plan the next move forward. This week we will be announcing those plans for government. Again some people will think they are impossible."

THE LEX COLUMN

Market on a string

Index fell 12.0 to 1234.0



This week the equity market encountered one of its most feared bogymen—and lived. Having fallen below the 200 day moving average with some emphasis on Monday, the market then bounced 2.5 per cent in the next two days. But the jump was not serene, resembling more the involuntary reaction of a hand touching a flame. That was not the only way in which the equity market has been a follower rather than leader of trends.

on motorways, the combined chains have less than a quarter of the market. In rashly agreeing to buy the businesses from Hanson without the condition of a reference, Trusthouse is now exposed to the full rigour of a Monopolies Commission investigation; but, give or take an eyebrow raised at its share-voting structure, it is likely to escape with only a waste of management and commission time. Trusthouse tends to operate in very large markets. Even in its main operation, Trusthouse probably owns less than 4 per cent of the nation's hotel bedrooms.

Progress over LME trade rules

THE LONDON METAL Exchange, which is struggling to reform its trading rules to satisfy Government demands for improved investor protection in the City, appeared yesterday to have made some progress toward settling its differences with the regulatory authorities.

Sealink to meet NUS leaders as ferry strike action spreads

SEALINK UK management will meet officials of the National Union of Seamen in London today in an attempt to head off mounting industrial action following its announcement of 492 redundancies in a plan to rationalise services to the Channel Islands.

Mixed reactions in S Africa to sanctions

SOUTH AFRICA reacted with a mixture of gloom and jubilation yesterday to the vote in the US Congress for tough economic sanctions against the country in defiance of a veto by President Ronald Reagan.

EEC split on UK proposals for air fares liberalisation

SHARP differences emerged among EEC transport ministers, meeting in London yesterday, on British proposals to liberalise air transport in Europe.

US jobless Continued from Page 1

such as James Capel that will continue to act purely as agents in UK equities, existing orders through other market-makers, will be placed at a price disadvantage compared with their "dual-capacity" competitors.

US jobless Continued from Page 1

reforms have structured them as separate subsidiaries. Mr Alan King, of the Stock Exchange's settlement services department, who has been involved in the discussions with the VAT authorities, says: "We recognised that the effect of these rules is that competition could be distorted. It is time to shake out after Big Bang and we will have to see how it works."

Chief price changes yesterday

Table with columns: RISES, Treas. 11 3/4, Anglo Sec. Homes 188, British Aerospace, etc.

Worldwide weather

Table with columns: UK today, Y day, Y day, Y day, Y day

VAT ruling Continued from Page 1

Some Stock Exchange officials have suggested that the banks which own market-makers and brokers will be able to use their VAT exemption as a marketing tool to attract private investors.

US jobless Continued from Page 1

Industrial Average initially surging ahead 18 points before the wider implications of the news sunk in. The index then experienced a rapid 33-point turnaround as investors realised that a weak economy would mean poor corporate profits,

Trusthouse Forte

Selling cups of tea to Lorry drivers is not normally considered an industry dominated by faceless giants; but if it is, the Monopolies Commission will be the first to know when it starts hearing evidence on the combination of the Happy Eater and Little Chef chains.

Ryman

A company that has traded profitably for only two full years in the last five would not usually pack them in to a tender where the minimum price already implies a fully-loaded historic price/earnings ratio of 23.4. But Ryman, for all its lowly interest margin even now, has consistently operated on convenience-store gross margins in its stationery business; for the last five years, gross margins have been only just short of 50 per cent.

Staggering

A scaled down allocation of TSB shares is not enough, these days, to satisfy the serious student of equity form. No self-respecting stag receiving a TSB allotment letter next week will be able to resist calculating the gain that might result if the winnings could be ploughed successively into British Gas and British Airways.

Advertisement for Foreign & Colonial Investment Trusts, featuring a cartoon and text: 'No portfolio is complete without one'.

Table with columns: Y day, Y day, Y day, Y day, Y day

US jobless Continued from Page 1

but recovered slightly to close down 7.03 at 1,774.18. The dollar lost 1 pfennig early in the day in New York, falling below DM 2 on the prospect of an interest rate cut. However, recovered most of the ground to finish at DM 2.005, little changed from the previous close.

US jobless Continued from Page 1

By contrast, the market-makers' charges, reflected in the spread between their bid and offer prices, are VAT-exempt. To benefit from the exemption, financial conglomerates will have to be structured to permit the reclaiming of VAT.

US jobless Continued from Page 1

Dr Fred du Plessis, chairman of Sanlam, the most important African financial institution, called on business to react to sanctions as a positive challenge in stimulating economic activity. "But Dr Conrad Strauss, managing director of Standard Bank spoke for many in the financial community when he warned: "The debilitating effect of the policy of measures such as those enacted yesterday should not be under-estimated."

WEEKEND FT

Saturday October 4 1986

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

ONE PERSON in no doubt about where power lies in France is Pierre Guillaumat. Now aged 77, during almost half a century of service to the state he has occupied the jobs of head of the Atomic Energy Commission (CEA), Defence Minister, and chairman of Elf Aquitaine, the country's leading oil group.

Still Elf's honorary chairman a decade after he retired, and putting in regular appearances in his office on the 45th floor of the company's new tower block in the Parisian skyscraper district of La Défense, Guillaumat likes to comment only half in jest on the influence of the French technocratic lobby in pushing through big government projects. "With you (in Britain), it's necessary to be elected. Here, it's not worth the bother," he says, with the glacial smile of a man with insight into life's certainties.

An arch-Gaullist whose friends are now back in political power in Paris, Guillaumat is the big prize — some would say godfather — in a unique caste of men whose role has been probably more important than any other group in shaping the face of modern France: the graduates of the Ecole Polytechnique.

President de Gaulle 25 years ago claimed that his country's commitment to 246 types of cheeses tended to make it un governable. In fact, one of the reasons why France since then has moved on well beyond cheese-making to become, in some significant ways at least, the most technologically advanced country in Europe, is because of a rare continuity and decisiveness in government. But in a series of key areas, the strings have been pulled not by politicians but by technocrats. And the majority of those who count have been drawn from the close-knit body of engineer-administrators educated at Guillaumat's old college.

The Polytechnique engineers' academy was set up under the Convention in 1794 as part of the Revolution's bid to dismantle class and privilege and boost efficiency in the university system. Given a military statute (kept to this day apart from a brief interlude during the Nazi occupation) by Napoleon in 1804, the school has been a fountainhead of French military, industrial and administrative power for almost two centuries. Among its most celebrated *anciens élèves* are Marshall Foch, motor industrialist André Citroën and Jacques Rueff, de Gaulle's influential economist.

However, the blatant elitism practised by the Polytechnique — the most spectacular example of the general tendency of the French education system to place power in the hands of trained oligarches — has also made it the focus of controversy and criticism throughout the whole of its history.

The Polytechnicians' near-monopoly over crucial public sector jobs has been attenuated since the setting-up of a civil service training academy, the Ecole Nationale d'Administration (ENA) in 1954. But its de facto grip on the state machine certainly clashes with the republican ideal behind the school's foundation of increasing the freedom of individual (non-Polytechnician) Frenchmen. The continuing power of the Polytechnique is also arguably an impediment to the introduction of economic liberalism proclaimed by the right-wing government and its entrenchment is in spite of evidence that the school, notwithstanding all its strategies, also provides reasons for some important French failings in economic and business life.

Its graduates are known as Les X and they have shaped the face of modern France. David Marsh examines the role of the controversial Ecole Polytechnique.

Men who work to rule

Les X — as Polytechnicians are called because of the school's badge of two crossed cannons — have always combined a high degree of theoretical intellectual training with flair to survive and prosper through political and social fluctuations. And because of its role in defence and the nuclear programme, the Polytechnique has managed to become both a symbol and guarantor of French patriotism. It would be unthinkable for there to be any attempt by the proponents of liberalism (a relative term in any language, especially French) in the Government led by the Prime Minister Jacques Chirac, fundamentally to overhaul the system.

Concentration of power, and the absence of the checks and balances built into parliamentary and judiciary systems in Britain, the US or West Germany, may have proved economically effective in France. These factors explain how it has during the past 15 years been able to push through big programmes ranging from modernisation of the telephone system to the steam-toller build-up of nuclear power.

However, concentration of decision-making is also one reason why technological expertise and understanding are less diffused throughout the population than in the US, Britain or West Germany. This ambivalent attitude towards technology explains why France has proved, up to now, much less effective than the US or the UK in producing entrepreneurs capable of using their scientific training to start up their own businesses.

It also points to the reasons why the French sometimes seem incapable of harnessing technology to solve everyday problems. They have learnt forward to become Europe's overall leader in aerospace, nuclear energy and telecommunications, but they are relatively backward in using science to prevent the forest fires that ravage the Riviera nearly every summer; to dispose of household refuse without disfiguring the landscape in rural areas; or to deploy computers and other modern methods in the fight against crime and terrorism.

The system of entrance exams to the Polytechnique has arguably been made more democratic over the past 100 years — and ENA graduates (*energiques*) provide an alternative source of top-flight administrative talent. The schools are, however, not direct rivals, but in some senses complementary. Polytechnicians such as former President Valéry Giscard d'Estaing or President François Mitterrand's chief adviser Jacques Attali sometimes go on to become *energiques* later. The ENA takes students in their early 20s, while the Polytechnique receives entrants after the baccalauréat at around 19 or 20.

Overall, though, the influence of Les X — called by Napoleon his "golden eggs" — has scarcely waned. Clearly not all of the roughly 15,000 Polytechnicians still alive are, or have been, in positions of authority. But the school's motto, *Pour la Patrie, les Sciences et la Gloire*, has arguably been more relevant than *Liberté, Egalité, Fraternité*



In moulding France over two centuries. The school was moved in 1976 to a 380 acre modern complex at Palaiseau, south of Paris, from its traditional site near the Pantheon in the Paris Latin Quarter. The Ecole gets about three-quarters of its general budget from the Ministry of Education. The first year of the three-year course is devoted to military service under which students fulfil their general conscription obligation. Although the ornate ceremonial uniform is now only worn on formal occasions such as Bastille Day parades, students still have to wear khaki while at work.

The establishment, which has admitted women (about 8 per cent of the intake) only since 1974, has lately taken the relatively small number of 320 to 330 students a year. After passing their two-year entrance examination requiring two years' preparation, it is a fact that 10 of the chairmen of France's top 16 industrial companies — including Elf, Aquitaine, Renault,

Compagnie Générale d'Electricité in electronics and engineering, pipe- and glass-maker Saint Gobain and chemicals group Rhône Poulenc — are Polytechnicians. Three are graduates of ENA and one (Sir James Goldsmith of Générale Occidentale) is an Old Etonian.

As well as being spread thickly among the senior posts in state institutions such as EDF and the gas and coal boards, the atomic energy and defence establishments, and the telecommunications and space agencies, Polytechnicians also hold key positions at the Bank of France and in other top financial institutions such as the Paribas banking group. Part of this influence reflects the state's hold over banking and industry, a tradition going back to Louis XIV which was extended under the 1982 nationalisation programme of the previous Socialist Government. Underlining how the Left's bid to change French society did not go very deep, the Socialists chose mainly Polytechnicians as chairmen of the big newly-nationalised industrial groups as well as those already in the public sector.

Ironically, considering President Mitterrand's scepticism about nuclear energy while in Opposition, several key

chairman posts went to men with strong backgrounds in the atomic sector.

The architect of France's 1970s nuclear build-up is André Giraud, the CEA patron between 1970-78. Giraud became Industry Minister under Giscard, with whom he went to the Polytechnique in 1944, and is now Defence Minister — in a unique position of confidence with both Mitterrand and Chirac — in the right-wing administration. Giraud has probably enjoyed more power than any other Polytechnician alive except Guillaumat, whom he has followed closely in his career path through the French establishment.

Despite the changing of some personalities, Giraud's pivotal role underlines how the overall strength of the Polytechnicians has been unimpaired by the arrival in March of *energiques* Prime Minister Chirac. As part of a policy proclaimed as a break with the state hold over industry, the Chirac Government in July announced a wave of changes among the bosses of nationalised industries and banks destined for privatisation. The result illustrates the staying power of "Les X." Five of the top jobs at the six foremost industrial groups taken over by the Socialists

ended up in the hands of Polytechniciens — against only four previously.

The newly-appointed head of the CEA, Giraud protégé Jean-Pierre Capron, entered the Polytechnique in 1962, a year before the vice-governor of the Bank of France, and two years later than the new bosses of Rhône Poulenc and Saint Gobain. As well as the traditional hostility in recent years from the Left and the universities (which are almost completely cut off from the technocratic establishment), Polytechniciens have also faced an upsurge of criticism from establishment quarters. Hubert Curien, known as the "father" of the Ariane space rocket because of his role as past chairman of the French national space agency CNES, says the "extreme fault" of Polytechniciens, even after they have passed through "applied" training schools, is their lack of motivation towards innovation. An authoritative report on technology policies in France from the OECD last year stated baldly that the "elite" from the Polytechnique and ENA "would now prove inadequate given the challenges and tasks the country is going to have to face."

Partly to confront this criticism — and to assure the low-profile role which has always been one of their most effective weapons — Polytechniciens like to play down, in public at least, their own importance. "Politicians have power. Polytechniciens have influence since they prepare the dossiers," says Henri Martre, an "X" of 1947 and now chairman of the state-owned aerospace group, Aerospatiale.

He was the Defence Ministry's armaments director under Giscard, and is now chairman of the official old boy network, the Société Amicale des Anciens Elèves, which groups about 12,000 ex-X paying an annual subscription of FFy 350 (£37). It holds regular business and social get-togethers, publishes a monthly magazine, and organises help for Polytechniciens' widows and others who fall upon hard times.

Jacques Darmon, a 46-year-old director at the Thomson electronics group, who (like Giscard) went on after the Polytechnique to the ENA, says the rise of the "X" is inevitable: "If you run a school for the best jockeys, it's not surprising they win races." Darmon's father was a Polytechnician, and his son entered in 1983. Between 15 and 20 per cent of students go there in the wake of a member of their family.

Bernard Esambert, chairman of Edmond de Rothschild's Paris-based financial group Compagnie Financière, an "X" of 1954 and chairman of the Polytechnique's governing board, laments the small number of graduates who go on to do brilliant original research or found their own enterprises. As well as trying to attract new blood into the school from a wider section of French society (parents of the present intake of "X" are almost exclusively from the managerial and professional classes), Esambert says the Polytechnique urgently needs to improve its international links.

Whether such expressions of self-doubt work through into genuine changes in the Ecole Polytechnique remains to be seen. One idea of increasing the annual intake to 450 students (including foreigners) has already been vetoed for budgetary reasons. Polytechnique proponents say the school has been adapting to changes in society for 200 years and will carry on doing so. Any diminution in coming years in the Polytechniciens' confidence in their ability to run the country would be hed for morale among "Les X" — but could be good for France.

The Long View

Why trust should defer to caution

THERE IS an old story about a financier who took his small son for a walk in the country. They were both on a very good path until they had to climb a rather high gate; at the top the little boy froze in a panic.

"Come on, jump!" said his father. "I'm here to catch you." But when the boy did jump, his father stepped back and let him fall. After the crying stopped, he looked at the lad fiercely. "I hope that's taught you a lesson you'll never forget," he said. "Never trust anybody."

That is not the kind of story which gets much of a laugh at lively company dinners but this has not been a very good week for the City's self-image. The bedrock of financial trust is the central banks, the all-seeing, all-knowing "authorities" whose ceaseless vigil protects us all from disaster. They have just returned from Washington where they attended the annual trade union meeting known as the IMF Conference; but they were unable to agree on anything. The Americans accused the Germans of courting world recession; the Germans implied that the Americans were knowingly risking renewed inflation; and nobody had kind words for the commercial banks, who were dressed down by no less than the President of the US. The British contingent made a fruitless effort at mediation; they might have been better occupied at home.

What happened in London was unedifying in a different way: the fight of a central bank trying to pursue two contradictory objectives at the same time — to stabilise both interest rates and the exchange rate — and making a technical hash of what was already difficult enough.

Central banks can't manage a quite minor currency like sterling and prosecutions fail to discourage insider trading. So who can the investor rely on? Only himself, concludes Anthony Harris



trusting the officials. However, brokers and other professionals are surely a different matter. The trouble is that the public's trust has, in this case, been well earned by nearly all our financial institutions down the years except for a few bad apples, notably at Lloyds. In the month of the Big Bang, that trust needs re-examining.

An early warning sign for London is the grumbling which has broken out over the Government's plan to set up a general compensation fund to protect any non-professional investor who finds he has a mouthful of bad apple in the new, deregulated world. The deeply respectable institutions which already protect investors effectively object to having the riff-raff in to share their umbrella, and some practitioners seem worried about having to provide protection for the first time. It is not an impressive show of mutual trust.

All this fuss can do nothing but good, though, if investors read it as a warning; for the biggest danger of the Big Bang is that ordinary savers and investors will approach the new world of deregulated financial shopping with excessive trust. People who would take a close look at a second-hand car, even in quite a glossy showroom, will spend far more on second-hand shares on the strength of a sales circular.

At the risk of being boringly repetitive, I must stress again that the biggest implication of the Big Bang for you, the outside investor, is that in future you will not be dealing with a broker acting on your behalf but with a trader, unless you are very lucky or highly selective. A broker deals for commission, a trader deals for profit. An honest and far-sighted dealer like a good shop will try to give honest advice

change in motivation does imply danger.

This is all much more evident on Wall Street, which has for some time been a world of market-makers — who take position in stocks and employ salesmen to move them. The tricks of the trade have been vividly and very amusingly described in the books of a trader thinly disguised as "Adam Smith"; these should be the bedside reading of any active investor this autumn.

What Smith shows above all is how much a canny dealer can get away with even in a market subject to such pretty heavy statutory policing (and incidentally, still does). You might have been impressed recently to read of the prosecution of a whole group of insider-traders by the US Securities and Exchange Commission. Mr Levine and his associates are certainly a bigger bag than our own law-enforcers have to show for their efforts; but the crime, as the law defines it, goes on; shares in New York still rise or fall sharply ahead of the news which justifies the move. Perhaps it would be more sensible to allow legally what cannot be stopped in practice; at least, investors would have no false sense of security.

This column is not intended to make you as frightened as the little boy on the gate, but at least to be wary. Most professionals are honest and some have good judgment, too; personal experience and recommendation will identify them. Some countries and some companies are consistently well run; follow the news and you will know them. There is even sound advice to be had from people with more taste for analysis than for backing their judgment with hard cash; again, you must judge for yourself. Even if you do trust some

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Investors hedge bets

THERE IS a healthy sort of stalemate in the US stock market today. Prices are going nowhere, but the problem is not the kind of dangerously unstable equilibrium between extremes of optimism and pessimism that often presages a sudden break in share prices. Nor is the indecision caused by major disagreements about the state of the economy. All of the recent statistics—the jump in unemployment to 7 per cent yesterday, the modest fall in leading indicators—and even the improvement in the trade deficit for August—have pointed to an economy which is expanding only feebly.

After the largely unwarranted inflationary panic last month, the mild recession seems again to be a greater danger than fierce inflation, and the bond market has accordingly started to regain some of its composure.

Yet, there is an absence of decisive market action. The reason seems to be simply that investors of both the bullish and the bearish persuasions are taking elaborate precautions to hedge their bets after the hair-raising events of last month. September was certainly a sobering month for the bulls, but it was equally disappointing for some of the over-enthusiastic bears, who lost good money betting that the sell-off would turn into something altogether more cataclysmic.

The broadly optimistic brokerage houses, like Merrill Lynch, talk these days about a further brief consolidation, in

which the mini-bear market could test the 1,600 level on the Dow Jones industrial average. Only after such a fall, would the stage be set for a major surge into the 2,000 region in early 1987, and a joy ride all the way to 2,500 by the end of the decade, according to Merrill's weekly market letter.

Last month's plunge in equity prices, which dragged the market down by 9 per cent from the peak it hit early in September, was entirely consistent with all "bull market corrections" experienced since 1949, Merrill argues. There

Wall Street

have been 15 such corrections, in which the market fell from peak to trough by 16 per cent on average. Almost invariably, such setbacks have presented excellent buying opportunities—on average, Merrill Lynch points out, the market was 27 per cent higher a year after the trough.

Such a prospect would certainly be tempting if only the investor could be sure that this really is the 16th "bull market correction" since the war and not the start of the third great post-war bear trend. It is only to the former contingency that Merrill's statistical researchers have applied themselves.

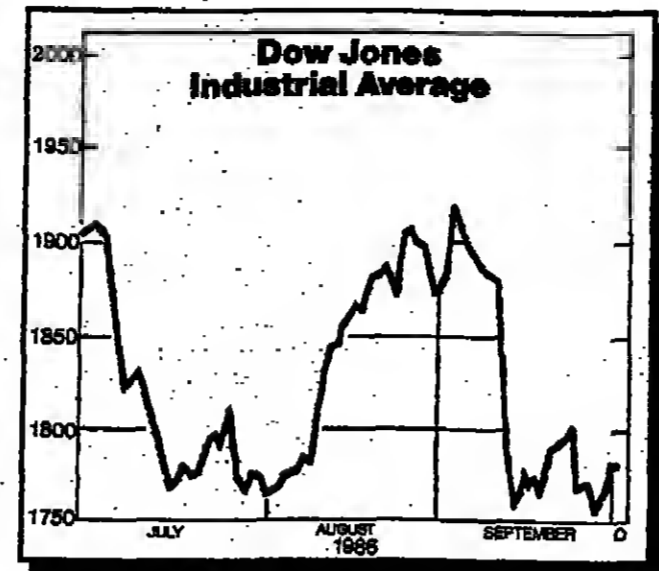
Fortunately, for Merrill's credibility, the bearish analysts on Wall Street are equally am-

bivalent and limited in their assessments. For example, Joe Feshbach, Prudential Bache's respected technical analyst, argues for a precise inversion of the v-shaped market movement predicted by Merrill Lynch.

In the short run, he says, prices have consolidated enough already—the next four to six weeks should see a stronger market than is generally expected. After a brief recovery, however, the Dow will decline by 15 per cent late this year or early next. Leaders like Coca-Cola and Gillette are showing identical formations to the peaks formed by the oil stocks in 1981 and 1982. "It is all over for the disinflation stock"—therefore, perhaps for the whole bull market," Feshbach argues, "but before the market falls it looks like it will move upwards."

Wall Street's economists and strategists are no more decisive than the technicians. Feshbach's colleagues at Pru Bache, for example, have warned that the recent pickup of some of the commodity stocks could constitute not the "change in leadership" trumpeted by optimists in Wall Street but "the classic finish for the bull market cycle," presaging a six- to 18-month fall in prices that could send the Dow as much as 50 per cent below its recent peak.

However, Pru Bache believes that it is still too early to put any bets on this grim scenario. Low inflation could prove to be much better established than the market is expecting. The



honds and disinflation stocks which are currently in Wall Street's doghouse could yet pass the "exceedingly difficult test" to which they have recently been subjected by market sceptics. In that case the stage would be set, Pru Bache believes, for a substantial bull market with essentially the same leadership "as we have seen since the disinflationary trend began in 1981."

In the face of all this prevarication, it is hardly surprising that the market is moving sideways while investors concentrate on making money by searching for value among individual companies, sectors and special situations.

Apart from USX, which continues to be the biggest trading stock by a wide margin as the corporate raiders reshuffle their stakes, it was the transport sector that excelled this

week. Federal Express pleased the market by abandoning a costly venture into facsimile transmission and the airline stocks have been enjoying a more fundamental revival. After their frenzied competition in the wake of deregulation, the top airlines have now swallowed up most of their lesser brethren, fares are rising and the industry is showing signs of settling into a nice cosy cartel.

Charts, economic forecasts and disinflation theories may be too complicated these days to focus the market's attention. But a profitable cartel or a juicy corporate carve-up like the one that Carl Icahn and T. Boone Pickens are hoping for at USX—that is the kind of action on which any investor respecting Wall Street punter wants to lay a bet.

Anatole Kaletsky

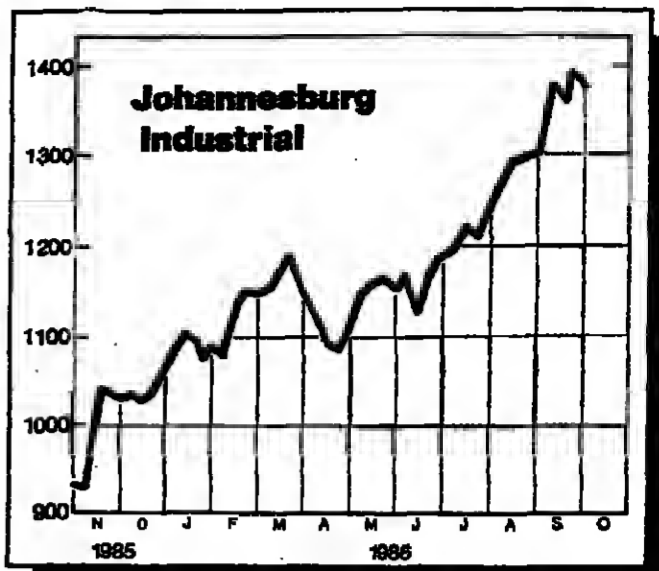
Dizzy days

A FORTNIGHT ago, the hyperactive South African gilt market took fright at August's 10 per cent inflation rate and called a halt to the advance which had lifted long-term Government stock prices by half this year. For a short while equity markets developed a case of sympathetic jitters, the gold price seemed to be running out of steam, and gold shares peaked on September 23 with industrials following a few days later.

While brokers have welcomed the recent equity market correction, they believe that it is simply a correction and not a reversal of the market's underlying gold-bull trend. The gilt floor was dominated by traders and jobbers, who had been content to mark long-term interest rates down in line with declining short rates, and were caught with a lot of stock when one or two broke ranks, says William Bowler, a partner in broking firm Ferguson Brothers.

He is not alone in believing that conditions in equity markets are different from those on the gilt floor. Equity markets are underpinned by institutional demand and not as subject as gilts to professional trading. Nevertheless, the recent correction has been dizzying.

At the start of this year, the Johannesburg Stock Exchange



Actuaries' All Gold Index stood at 1,164.8. It peaked at 2,061 on September 22 and closed at 1,629 on Wednesday this week. The JSE Actuaries' Financial and Industrial Index's performance has been slightly less hectic—it started the year at 1,339.2, peaked at 1,892 on September 26, and closed at 1,673 on Wednesday.

Some brokers have been quick to draw parallels with the great bull market crack of 1969 which is burned into Johannesburg stock market lore. Shares, which had been chased to price/earnings multiples of 60 or more, went into a rapid decline. Indices halved in little over 12 months to the accompaniment of collapsing property development firms and scandals as some leading firms halted or directors caught in uniform preferential share issues.

Richard Stuart of stockbroking firm Martin and Company is adamant that new issue over-

subscriptions do not signal a repeat of 1969. He believes that this year's spate of new issues is healthy even if they have regularly been over-subscribed.

Entrepreneurs, Stuart says, are returning to the JSE for new capital after an absence of 15 years. This, he believes, is a healthy sign. This year, about R2.2bn of new capital will be raised through the stock market, equivalent to 1.6 per cent of Gross Domestic Product. Stuart believes the amount could easily double next year. "We'll know the market is boiling over when someone tries to float grandma's bath tub. But they haven't yet and the new issues we are now seeing are by sound companies," he says.

On the industrial side of the market, analysts agree that fundamentals are sound and expect corporate profits to recover strongly as the economy emerges from recession. Analyst Scott Hawker believes that cor-

South Africa

porate profits will be helped not only by improved sales but also by firms' ability to restore margins as demand improves. While the authorities are trying to encourage recovery by stimulating the domestic economy, gold remains the principal driving force of the JSE. Gold's advance, Stuart says, was due to dollar fears rather than inflationary fears. And he believes there is a potentially explosive situation developing in gold shares even though they have risen by about two-thirds in the past three months.

In America, precious metals mutual funds have been outperforming others and this is expected to lead to considerable switching by American investors. If the funds have large cash inflows they could be caught with scrip shortages, and only the South African gold sector offers adequate market depth. Mutual fund

Jim Jones

Coffee cools after a quick boilover

"THE ONLY thing I know about commodity prices," a former editor of the Financial Times once remarked, "is that they go up and down."

That might not seem a particularly penetrating observation but it is one which the private investor in commodity futures would do well to keep in mind. And it is a lesson which has been brought home forcefully to speculators who have had their fingers burnt in the coffee market this week.

Supply and demand factors have been arguing in favour of a strong coffee market ever since it became clear that last year's four-month drought had halved this year's crop in Brazil, which normally accounts for about 30 per cent of the world's supplies. Next year's Brazilian crop could also be in trouble, partly because of the after-effects of the 1985 drought and partly because of

inadequate rainfall over the past few months.

Some coffee market analysts are doubtful, however, that these factors had much to do with the price upsurge which boiled over towards the end of last week. They think the five-week rise, which boosted nearby futures prices by \$400 a tonne, was almost entirely due to technical (chart) factors which prompted heavy buying by commodity investment funds. Similarly, they see the subsequent fall, which took the market back to square one in the space of one week, as a result of selling by the same funds.

"The trouble with these funds," one analyst commented, "is that they will buy and sell

at the same time." And as they account for more than 80 per cent of coffee futures market turnover, their influence tends to swamp that of the trade (merchants and manufacturers) which is more inclined to look at supply/demand factors.

Most of the trade, in fact, remained on the sidelines.

Commodities

throughout the recent bull run, and many merchants are now congratulating themselves for not having been panicked into buying near the top of the market. They know there is likely to be a supply crisis towards the end of this year as

the shortage of Brazilian beans makes itself felt. But in the meantime they remain content to sit back and watch the gyrations generated by the speculative element in the market.

It is a truism that every speculative purchase of a commodity represents a potential sale. Commodity holdings, unlike equities or government stocks, generate no income—the commodity investor is seeking short-term capital growth, in plain language, he is taking a gamble. When enough investors have achieved their profit targets or reached their predetermined loss limits, their selling will cause prices to fall; and that fall will trigger further "liquidation" by other investors. Chart patterns will

begin to point downwards and the fall will continue until a "resistance point" is reached. If that point is held, speculative funds may begin to trickle back into the market, in the hope that another bull run is coming.

Another, though less dramatic, example of this cycle has been seen in the London Metal Exchange's copper market during the autumn.

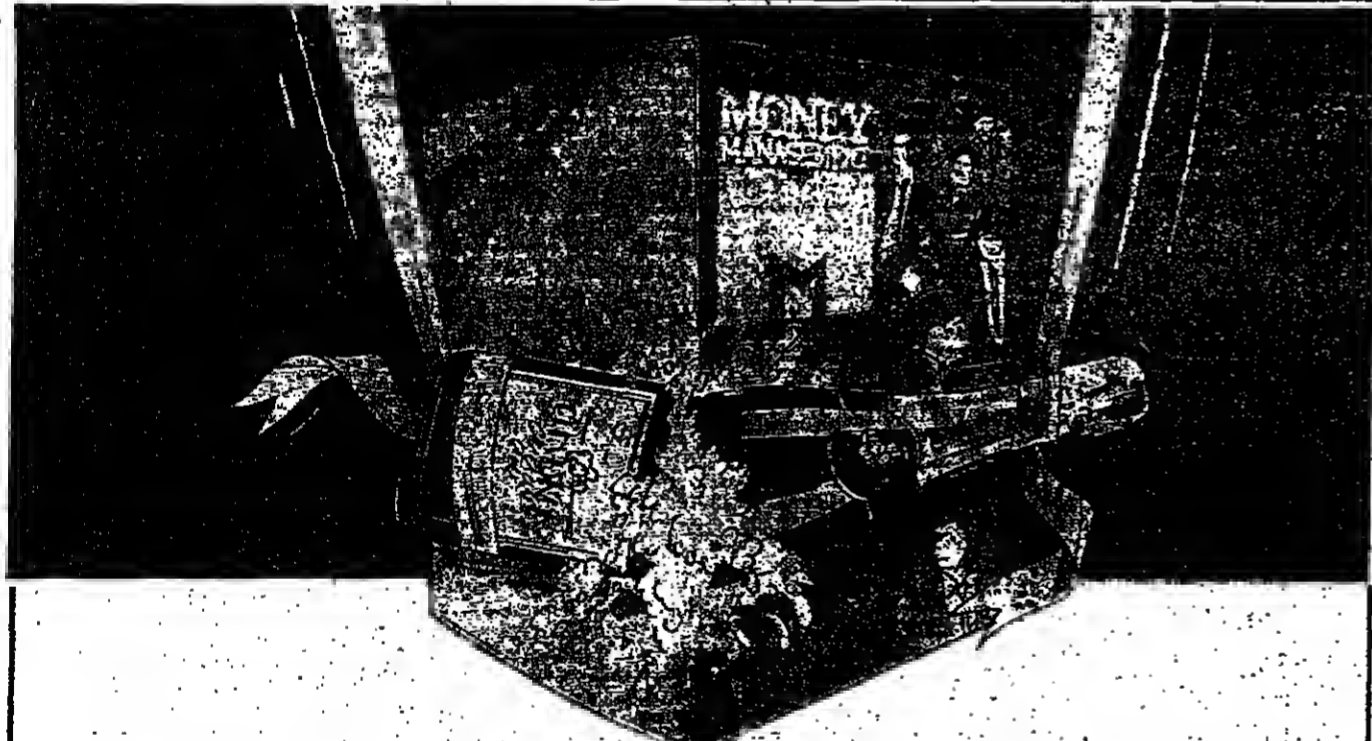
On August 19, cash grade A copper stood at a 48-month low of \$82.29 a tonne, reflecting the general depression of industrial demand for the metal. Encouraged by news that output cuts had reduced US producer stocks to the lowest level for 24 years and by hopes that demand would be boosted by the reopening of US factories

after the summer shut-downs, prices then began to rise. By the end of September, the LME cash position had put on \$81, a rise which had been exaggerated, admittedly, by the fall in the value of sterling.

However, nearly a third of that rally has since been wiped out, as a rise in US producer stocks has indicated that the hoped for improvement in demand had not materialised.

The LME copper market differs from the coffee futures market in that its speculative element is the small rather than the big, because private investors remain wary about returning to the market while it continues in the shadow of the tin crisis. Until that shadow lifts, investment funds which are steering clear of the LME will continue to swell the speculative elements in other commodity markets, such as coffee.

Richard Mooney



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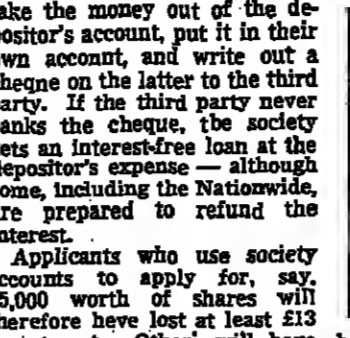
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Richard Tomkins explains why buying TSB isn't necessarily easy money

To sell or hold on, that's the question

MANY INVESTORS will next week find good reason to curse those who told them that the Trustee Savings Bank flotation meant easy money.



begin next Friday, and whether to hold the shares or sell them. The consensus in the City is that on a rational appraisal of the TSB's quality, profitability and prospects compared with those of the other UK clearing banks, the 100p shares are worth up to 125p.



One bizarre and unpredictable element of this calculation, however, is that the loyalty bonus is worthless to buyers of the shares in the after-market because it is not transferable.

formed a new stock market sector of its own. The TSB, however, is not unique: there are several other banks into which the institutions can put their money if the TSB is overpriced.

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Eric Short
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It seems an unnecessarily complicated system and Visa is considering going over to the Access method.

While many holidaymakers just rue their extravagance and pay up, others take a closer look at the numbers to see what rate those pesetas were converted back into sterling.

At Barclaycard or Visa it is more complicated. When the slips come in they are all first converted from foreign currency into US dollars, and only then into sterling.

Lest Monday, for example, American Express was converting dollars at \$1.4335, which is spot on the FT rate.

With Barclaycard or any other member of the Visa organisation, you are taking a bit of a chance because they actually convert the currency twice.

At Access, which has the most straightforward system, the charge is converted from foreign currency into sterling at its Southern centre on a rate supplied jointly by the Euro-card organisation, to which it belongs, and Lloyds Bank.

At Access, which has the most straightforward system, the charge is converted from foreign currency into sterling at its Southern centre on a rate supplied jointly by the Euro-card organisation, to which it belongs, and Lloyds Bank.

Nuclear risks accepted

THE LABOUR and Liberal parties may be disenchanted and fearful of the future of nuclear energy installations in the UK, but leading life insurer Swiss Re considers that it is far more dangerous working on a North Sea oil rig than at Sellafield, since it is recommending hefty extra premiums for oil rig workers' life assurance policies.

How the rates compare

Table comparing rates for Access, Barclaycard, and American Express in US\$, FF, and £. Includes a note: Rates quoted by card companies for Monday, September 29.

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Inadequate legislation leads to Wheeler dealing, says Eric Short

So bad for your wealth

IT IS NOT going to take investors in the ill-fated McDonald Wheeler Fund Management very long to count their losses. The first report from James Pope, the Official Receiver, in his capacity as Provisional Liquidator, reads like a financial horror comic. Investors who put nearly £m into the nine so-called management funds have been warned that they can expect to receive very little back at the end of the day.

However, the McDonald Wheeler saga has highlighted several important lessons for investors, for investment management groups and, above all, for the Securities and Investments Board (SIB) in drawing up its rules for operating the financial services legislation.

The overriding and worrying conclusion must be the failure of the existing control systems to prevent this kind of situation from happening.

McDonald Wheeler was a member of the Financial Intermediaries Managers' and Brokers Regulatory Organisation (Fimbra), previously the National Association of Security Dealers and Investment Managers (Nasdim). Interviews with investors who put their money with the company show that they considered membership of Nasdim, which was prominently featured in the promotional literature, provided a seal of approval on the activities of McDonald Wheeler. The company started trading in June 1982 and Pope was appointed Receiver on August 6 following a petition for winding up by the Department of Trade and Industry.

Subsequent journalistic investigations disclosed that James Wheeler, the principal director of the company, had at one time entered into a deed of a management with his creditors. In addition, he was a director of two companies put into liquidation on the grounds of insolvency.

These discoveries raise the question as to how Wheeler and his company were accepted for membership by Nasdim in the first place.

The first report by Pope alleges that out of £8.9m supposedly put into life company funds and other secure investments—via the company's in-house broker managed funds—only £1.8m actually went into quoted securities or externally managed funds. Nearly half the money, some £4.2m, was invested by way of share capital or unsecured loans in private companies. This included ventures such as renting out a luxury boat ostensibly for hiring out.

The report also shows serious discrepancies in what accounts were kept and alleges there were no separate bank accounts for each of the nine in-house managed funds.

So the next major question is, why was such a situation allowed to continue for some months before it was discovered? Evidently Fimbra's reliance on auditors certifying the accounts of member companies does not work very effectively.

Fimbra's main defence is that it simply does not have sufficient manpower resources to check on the activities of all its 1,200 member companies thoroughly. That may be true, but it is a far from acceptable situation. Inadequate checking by an official regulatory organisation is worse than no checking at all.

If the investment management company does not belong to any official organisation then the public is at least not so guarded. But when a company is approved for membership of a regulatory organisation like Fimbra, the public automatically considers the company is vetted regularly and can be accepted without question.

Other safeguards, such as segregated client accounts, in themselves, do not provide complete protection for investors.

The lessons for SIB in authorising investment businesses are:

- There must be positive vetting of all applicants.
- There must be regular and frequent checks on the operations of the business to ensure that the rules are being complied with.
- There must be a compensation fund to reimburse investors.

Meanwhile, investors need to check out any investment firm with which they are considering dealing. They must not accept without question the names of any guarantors, such as a life company. They must check directly with the guarantor themselves. They must ensure that wherever possible when investing in broker funds, cheques are made out to the financial institution not the fund manager. They must insist on evidence that the investment has been carried out and if possible hold the assets themselves.

Playing it safe

A MONEY-BACK guarantee is usually looked on as a gimmick used to promote an inferior product. Yet Gartmore management group is confident that it can be used to tempt investors, who have so far avoided the risky share market to buy unit trusts.

The company reasons that many people keep their money on deposit for fear of losing capital that might have taken years to build up. To overcome this, Gartmore is introducing a unit trust that guarantees the original investment will remain intact over a five-year period while allowing a limited dabble in world stock markets.

Called Safeguard, the scheme, which calls for a minimum £1,000 stake, is a combination investment of government securities (gilts) and shares. Depending on interest rates, around 70 per cent of the initial stake is invested by General Portfolio life assurance company, which provides a guaranteed return, in five years, equal to the original total investment. The other 30 per cent or so will purchase units in the Safeguard Fund, established by General Portfolio to invest exclusively in the Gartmore Global Fund. This managed unit trust invests in world markets including the UK.

While the guaranteed element ensures that the original stake is secure, the 30 per cent unit trust investment will earn profits.

The advantage of the two investments being packaged via a life company is that death cover is included. In case of death, the original investment or the cash value of the plan, whichever is the greater, will be paid.

Gartmore also claims that tax concessions, available to General Portfolio at this particular time, will allow the guaranteed element of the fund to achieve a healthy return on the gilts investment.

For the standard-rate taxpayer there is no liability to tax during the five-year term. But if you are in a higher bracket or eligible for income tax age allowance, a liability may arise when the proceeds are redeemed at the end of the period.

It should be remembered that the guarantee applies only if the plan is held for the full five years.

John Edwards

Eric Short continues his short on paying for private education

How schools can help

PARENTS wishing to have their children educated in the private sector may well find the schools themselves able to assist in the payment of fees.

Many of the well known public schools were founded in the first place to help educate children of poor parents, and still maintain a certain number of places to continue meeting this objective.

Parents should ask about the terms and conditions for these places. They will vary from school to school, but often the child would have to meet an academic standard higher than the Common Entrance examination. The reductions in fees would usually be subject to a means test on the parents.

Several schools also offer exhibitions to children with certain specific talents; music exhibitions are one particular example. But exhibitions can be based on other attributes or even on a high general academic standard. Each school will have its own requirements but all are based on merit.

Children qualifying for exhibitions would have their fees reduced by the amount of the exhibition grant. Music exhibitions can cut the fees by up to half.

Parents need to ask about the possibilities of foundations or exhibitions well before the child starts at school. Often, the headmaster of the preparatory school will advise on the possibilities.

Many schools will accept lump sum cash payments before the child takes up a place at school, thus reducing the actual fee payments when they arise. However, not many of the capital payment schemes are on a commercial basis. The school cannot pass on to parents the benefits of its charitable status.

Parents should compare the terms offered by the school with the capital schemes offered by school fee specialists and life companies. Taking out a capital scheme from the school does not usually guarantee a place for the child.

Schools are prepared to consider help in the form of bursary grants to parents who have financial worries over maintaining a child already in classes.

In general, schools are reluctant to see pupil's education disrupted because of money problems.

They know that the recent recession hit executives and middle management almost as hard as the shop floor and clerical staff as far as redundancy was concerned.

Bursary grants are made on an ad hoc basis after a full investigation into the parents' circumstances. However, this facility should be regarded as a last-resort safety net—not the substitute for advance financial planning.



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WHAT IS DE LA RUE?

De La Rue once meant—among other things—playing cards, British postage stamps, Onoto pens. Later, it meant Formica laminates, Potterton boilers, even Bull computers.

De La Rue in 1986 means none of these things.

We have worked on the basis that change is an important sign of life.

Throughout all phases of its existence the company's core business has been the production of currency.

It still is, although the nature of that business requires us to say as little about it as possible.

However, the experience of our banknote business has inspired a key element in the company's strategy, that we shall be world players in as many of our activities as we can.

At latest count, we have achieved this in 11 distinct product areas.

Crosfield Electronics, for instance, is already a world player in pre-press automation, De La Rue Giori in banknote printing machinery, De La Rue Printrak in automated fingerprint identification systems.

De La Rue today has two dominant streams, the traditional and highly specialised skills of its security printing side and the highest of high technology in the Crosfield business.

In between these two pillars there are a number of developing businesses which draw on the expertise of both, and which we call Electronic Security. Banknote handling, national registration systems, identification systems of all kinds and access control belong to this sector.

De La Rue has grown profitably over the past ten years of change. We owe a lot to heavy investment in R&D, and recently we have been reinforcing our strengths by acquisition.

We intend to keep De La Rue on the move.

The De La Rue Company

	1976	1986
Share Price (at 31 March)	115p	990p
Total Workforce	11,346	10,284
Turnover	£126.4m	£309.8m
Profit Before Tax	£9.8m	£69.4m
Trading Margin	7.8%	14.6%
Return on Shareholders' Funds	21.6%	32.5%
Earnings per Share	13.3p	84.6p
Total Dividend	9.0p	46.6p

Financial Times

روزنامه الأعمال

FINANCE & THE FAMILY

Going for a broker

Margaret Hughes on how to acquire a market adviser

HOW DO you choose a stock broker? Many people who have never dealt on the stock market are being enticed to start by the chances for quick gains offered by the TSB, British Telecom, and soon British Gas.

With the Personal Equity Plan starting in January likely to give a further massive boost to the Government's encouragement of wider share ownership, the services of brokers will be in even greater demand.

An obvious first step to finding a suitable broker for your needs is to ask around among your friends. Personal recommendation is still the most common route by which brokers obtain new clients.

Alternatively you could approach your accountant, bank manager, solicitor or financial adviser. But remember, they may well have a special relationship with some brokers as introductory agents or even associated companies, so their advice might not be entirely disinterested.

If you want to make your choice independently a good start is at the London Stock Exchange (EC2N 1EP) itself. It has always published a list of members which you can obtain from its Public Affairs Department. But this year, in preparation for the Big Bang,

it has just launched a major campaign to promote share ownership. As part of this campaign it has published various booklets explaining share ownership and investment and the changes resulting from the Big Bang.

In addition to the list of member firms the Stock Exchange publishes a directory of those who specialise in dealing with private investors. It includes provincial as well as London-based brokers. There is a brief run down on individual brokers covering their specialities such as the securities they trade in, the markets they trade in, whether they offer an advisory or discretionary service or both.

For instance some will undertake discretionary investments (where you allow them to make all the investment decisions for you) only after you have used their services for an initial period of a year or two by which time they have established your needs and priorities.

Before making a final choice it is essential to meet your broker. As the Stock Exchange Council emphasises, it is important that you and your broker get on. It is equally important that she or he establishes how much money you are prepared or able, after meeting essential overheads, to risk on the stock



market. Then there is the question of whether you want to invest to protect capital, or to provide income, or a combination of both.

You have also to decide what service you require from a broker and to establish precisely what it will cost. If you want to use a broker simply to carry out your own investment decisions, you need an execution only service without investment advice and will be charged a commission for handling each transaction.

If you feel you need at least some professional advice you will go for a portfolio advisory

service where the broker will provide advice, information and specific recommendations but will take no action unless you have given your approval first.

If you are happy to hand over all the decision making to your broker, giving him discretion but still keeping you informed, then you will opt for a discretionary service. In this case it will be all the more important that the broker understands your investment objectives.

Small investors have tended to be pushed towards a discretionary service because it is less time-consuming and thus cheaper for the broker. But since this means that you lose control of your portfolio it is essential that you have full confidence in your broker. There is also the danger that the broker may keep churning the portfolio simply to increase commission earnings.

In the end, of course, what you really want to know is how good your prospective broker is. Unfortunately, because individual needs vary so much, there are no broker performance leagues. But the Association of Investment Trust Companies does publish tables which help you find a broker to suit your purpose. They show how much private client business each broker undertakes and the minimum account value and

minimum bargain brokers will accept both on an advisory and a discretionary basis. Many brokers, especially those in the provinces, will now deal with any size of bargain, although they normally set a minimum charge.

The tables also list the minimum commissions currently charged though this will all change after the Big Bang when they become freely negotiable. So too will the pricing structure of the services which brokers provide. In the past investors have often had to pay the same for a straight execution service as for a service which is backed by investment advice. But this is changing as more brokers introduce a cheap "no frills" dealing service. As a result, an advisory service where the broker has to consult you before making any deal will in future cost proportionately more, since it is much more time consuming.

Though the small investor is now being wooed you still need to be relatively rich to have investments individually managed by a broker. It will be easier to obtain investment advice as a fairly modest private client but those with small amounts to invest are still likely to find their funds channelled towards unit trusts. A general rule of thumb is that if you are to invest directly in shares you still need at least £20,000 to achieve the necessary spread of investments and nearer £100,000 if you want a top level management service. These ceilings may be lower in the provinces.



DON'T MISS OUT ON EUROPE

Of all the world stock markets, Europe's are setting the pace. Last year share prices in Italy advanced by 98%. In Germany by 76%. In Switzerland by 52%. And in France by 46%.

Now the dramatic fall in oil prices looks likely to give share prices another large boost.

Govett European Growth Fund was one of the early unit trusts to specialise in this area. It has been one of the most successful and over the last year the offer price has risen by 111.9%*

To find out more about the Govett European Growth Fund please return the coupon - so that you don't miss out much longer.

*as at 1985 on an offer to offer basis.

Govett European Growth Fund

The John Govett Unit Management Limited, Winchester House, 77 London Wall, London EC2N 1DL. Telephone 01-588 9620.

Please send me full details of Govett European Growth Fund.

NAME: ADDRESS: My usual investment adviser is:

Independence offers its own rewards



Eric Short

Table with 2 columns: MAXIMUM INCOME ACCOUNT NET RETURN 9.5% (PA) GROSS EQUIVALENT 13.38% (for basic rate tax payers); PREMIUM SHARE ACCOUNT NET RETURN 8.25% (PA) GROSS EQUIVALENT 11.62% (for basic rate tax payers). Includes General Portfolio logo.

Insure while you're able

AS A nation we are woefully underinsured against the financial consequences of death. But we are even more lax when it comes to insuring against the financial consequences of being disabled.

This puzzles Michael Hopher, chairman and chief executive of Abbey Life Assurance. After all when you die you are not around to see your dependants struggle along on social security benefits because of your lack of foresight about life assurance.

But if you are confined to a wheelchair through a serious accident, or disabled by a heart attack, then you will see only too clearly their financial struggle.

If you think the state will provide, because you have been paying National Insurance contributions since you started working, you are in for a shock. The latest Family Expenditure Survey shows the average weekly spending by a family with two young children at £151.91. If you are disabled by accident or illness, the social security benefit payment of £83.25 will barely meet half this expenditure.

happen to you. But the latest statistics from the Department of Health and Social Security show that, in a year, there were over 900,000 claimants who had been ill or disabled for at least 28 weeks.

True, many employers are extremely generous towards an employee who is ill for a long time, paying all or a high proportion of the salary over extended periods. But other employers are not so generous - and small employers generally do not have the resources to be so. The self-employed, of course, have no employer to fall back on.

The case for protection in the event of being disabled, known as Permanent Health Insurance (PHI) - a complete misnomer - is strong. Yet it is still a relatively untapped market. Abbey Life hopes to exploit this market with its new Healthmaster - its first entry into PHI.

The general arrangement made by PHI is that income payments start after a certain

period following onset of disability - known as the "deferred period" - and continue for as long as the individual is disabled, up to a particular point such as the age of 60 or 65.

TABLE below shows the cost of a benefit of £7,500 per annum for a professional male, expiry age 65, with a deferred period of 18 weeks, payable monthly. Age next birthday at entry: 35, 45, 55. Columns for £, £5, £55.

Abbey Life 9.24 16.11 40.05 Allied Dunbar 10.73 17.48 30.00 Friends Provident 12.09 19.00 36.28 NGL 12.54 19.10 32.23 Norwich Union 12.50 18.39 31.23 Phoenix 10.21 15.76 27.76 Premium 10.54 16.25 25.81

Healthmaster offers a flexible choice of both the deferred period and the period of cover. Flexibility is also applied to the benefit structure. Three types of cover are offered:

1. The cover increases in line with inflation. Benefit payments also increase in line with inflation.

Finally, from France, a French Unit Trust



DUMÉNIL French Growth Fund

Showed observers of financial markets are looking just across the Channel for the next major investment opportunity. Little surprise when the French economy is expected to be on a 5 to 10 year growth cycle when its Government is committed to a share-owning democracy and offers tax incentives to entrepreneurs and venture capitalists.

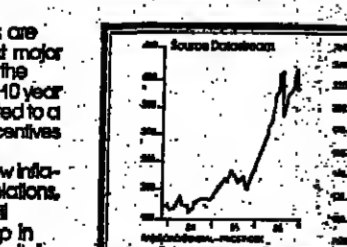
Within a climate of booming exports, low inflation, a strong currency and good labour relations, privatisations of major French institutions will accelerate the demand for share ownership in France. All predictions suggest that a substantial new flow of funds into the French stockmarket will outpace buoyantly upwards.

Now from Duménil Unit Trust Management Ltd, comes Duménil French Growth Fund, a leading French specialist in equities. In France the Group manages 7 mutual funds and 5 unit trusts and a total of private and institutional money exceeding \$1 billion.

The nucleus of the French market demand on-the-ground intelligence. Through the management of Duménil's leading French Growth Fund, investors in the Duménil French Growth Fund will be certain of that.

Invest now at a Fixed Price! Until October 17th, 1986, units can be purchased at the Fixed Price of 400p with an estimated initial gross yield of 2.0% p.a. to invest, return the coupon with your cheque (minimum £1,000) without delay.

Dynamic! Principal investment managers to the Fund are Duménil Labbé S.A., described by Nat West Bank Country Securities Review as "the shining star of the French financial market". Duménil Labbé is the



Remember that the price of units and the income from them may go down as well as up. You should regard your investment as long term.

Leading French securities houses specialising in bond portfolios: its subsidiary, Coty, is a leading specialist in equities. In France the Group manages 7 mutual funds and 5 unit trusts and a total of private and institutional money exceeding \$1 billion.

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DUMÉNIL Unit Trust Management Limited

Form for First Public Offer Fixed Price until 17th October 1986, including fields for Name, Address, and Signature.

OFFICIAL CLOSURE 10 OCT

TWIN AIMS OF STEADY INCOME PLUS CAPITAL APPRECIATION. THORNTON ORIENTAL INCOME TRUST

Thornton have already successfully launched six trusts aimed at long term capital growth. Now, investors who share Thornton's belief in the continuing opportunity in the Far East are invited to participate in the launch of a new trust.

The Oriental Income Trust is Thornton's first unit trust to have the twin aims of both capital appreciation and steady income. To achieve these aims, Thornton will invest primarily in readily-marketable securities, using the best possible distribution of both the resources within the markets and also the investment vehicles available to them.

It is Thornton's firm belief that a local presence, sensitive to emerging trends, is vital in providing the speed of reaction necessary not only to maximise opportunities, but also to protect investments. This belief is a guiding principle in the Thornton Group's management of a total of over £900 million of investment funds worldwide.

THE ORIENTAL OVERVIEW The last decade or so has seen significant shifts in world trade patterns from trans-Atlantic to trans-Pacific. This has been due to the combination of lower costs, well-educated and hard-working labour forces, innovative and entrepreneurial flair and largely pro-business governments.

However, gains from Far Eastern stock markets, especially Japan, have come from capital appreciation, and not income, since dividends in Japan, for example, are low. The dividend yield in the Tokyo stockmarket is only 0.5% compared with over 4% in, say, London.

In the last few years though, an increasing number of Japanese companies have issued Convertible Bonds, allowing investors access to capital appreciation of the underlying equity, while earning income from the coupon of the bond. The bonds allow investors to convert into common shares at a predetermined price.

Warrant bonds allow the warrant holder the right to subscribe to a certain number of shares at a given price, rather like a long-term option, though issued by the company itself.

EXCELLENT OPPORTUNITIES FROM SAMURAI BONDS AND EURO-YEN BONDS With yields of 6% and more being available, Japanese Government Bonds, Samurai Bonds and Euro-Yen Bonds offer an excellent risk/reward profile, while allowing investors to participate in a potent aspect of the economy of "Japan Inc" the Yen.

Elsewhere in the region, dividend yields tend to be significantly higher than in Japan. Currently attractive yields are found in high-quality companies in Hong Kong, Singapore and in other Asian countries.

Since the economies of most of these countries are loosely pegged to the US Dollar, they are major beneficiaries of the problems of Yen strength for the Japanese economy.

THE CONSTRUCTION OF THE PORTFOLIO Investors are reminded that the price of units and the income from them, can go down as well as up. With this in mind, Thornton has considered five major factors in the strategy for the new Oriental Income Trust.

- The optimum balance between the vehicles employed in achieving a high yield - straight bonds, convertible bonds, warrant bonds, high-yielding equities and cash. The selection of the best possible companies in whose instruments - common equity or equity-related debt - investors can appropriately participate. The technical selection of the best available instruments from the point of view of liquidity, parity, running yield and yield to maturity. The most appropriate balance of currency from the investor's point of view. The mitigation of risk by balancing exposure to equities and loan stocks. Thornton intends to use these vehicles as a means of protecting capital against a fall in the value of equities. Thornton's record of constant supervision and speedy and efficient communication of emerging trends from others "on the spot" will, we feel, achieve high value-added returns and meet the twin aims of capital growth with steady income. Investors wishing to participate should complete the coupon below and return it to us, together with your cheque. The minimum investment is £500.

GENERAL INFORMATION Units are dealt in daily and the prices and the yields are published in the Financial Times and the Times. Contract notes will be issued within seven days and unit certificates within six weeks. If you sell your units, payment will normally be made within seven days of receipt of the redemption certificate. An initial charge of 6% is included in the offer price of units (current maximum 6%). An annual charge of 1.5% plus VAT of the value of the Trust is deducted monthly from gross income (current maximum 9%). Redemption will be paid to authorised advisers by the Managers and rates are available on request. The Trust makes two distributions a year. An interim distribution on 30th April and a final distribution on 31st May. The estimated gross starting yield is 5%. Unless requested, Unitholders will receive accumulation units for which distributions will be re-invested directly in the Trust. The fund offer price of units is 35p and this price will be in effect until 10th October 1986. After the current fund price offer closes units will be valued each day and units may be bought at the offer price until the day of receipt of the order. The Managers are Thornton Unit Managers Limited, Park House, 16 Park Square, London EC2M 7JH 01-578 4565 (Registered Office), registered in England and Wales No. 099109. Thornton Unit Managers Limited is a member of the Unit Trust Association. The Trustee is Midland Bank Trust Company Limited.

Form for Thornton Unit Managers, including fields for Name, Address, Signature, and Date.

WHEN asked where we should go on holidays this year, our five-year-old opted somewhat bafflingly for Portsmouth, a good place from which to leave for continental Europe...

Pompey and circumstance

Being a democratic household, however, we decided on a two-week main holiday in Scandinavia — new to both parents — and a weekend break in Britain's premier naval town.

for children full of puzzles, felt tip pens, and badges. If this is not enough to keep children amused, there is a well-equipped games room...

As for Portsmouth itself (or Pompey as it's known to citizens and the sailors who serve there) it more than contains any doubts about its ability to compete as a tourist centre.

The latest is the Mary Rose, Henry VIII's warship, recovered from the Solent after nearly 400 years and now on display in a covered hall where it is sprayed constantly with thousands of gallons of water to generate the 95 per cent humidity needed to prevent it from drying out and crumbling.

coming as a surprise, as does the fact that she remains in regular use. Though still in active use, the dockyard is now firmly in the tourist business.

A third major attraction will be The Warrior, Britain's first ironclad battleship, the design of which rendered obsolete all existing war vessels.

Our first day's sightseeing was completed by a visit to Portchester Castle, one of the most interesting of a large number of fortifications which dot the Portsmouth Harbour.

Portchester has third century Roman walls dating to its origins as a fort to defend the area from Saxon attacks. It was

subsequently made into a castle by Henry I, and converted by Richard II into a small palace.

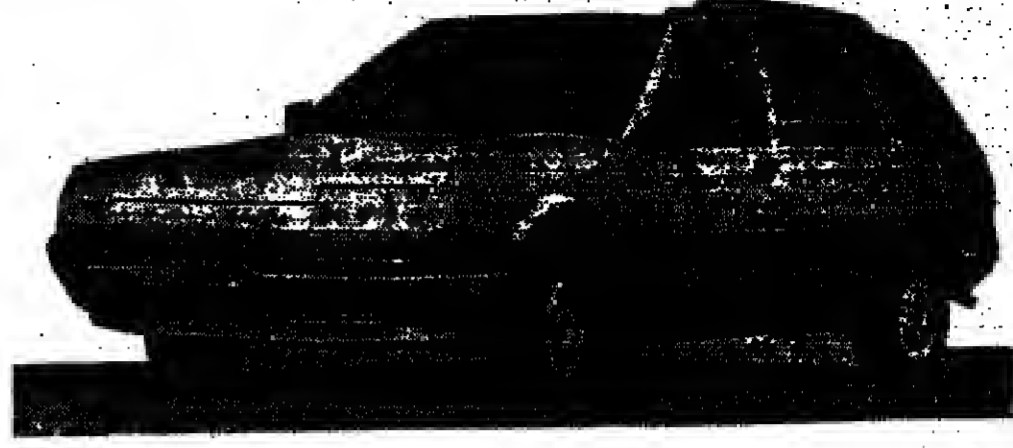
As a city, Portsmouth offers one or two surprises—Charles Dickens' birthplace, an old quarter with houses dating back to Regency times and beyond.

The cost of a Friday-evening-to-Sunday morning weekend break with crew worked out at £36 per person per night, with accommodation for up to three children under 14 free.

Four other hotels in Portsmouth—the Holiday Inn, Pendragon, Hospitality Inn and Kippell's Head—are taking part in another scheme, Great English City Breaks.

Rhys David

Stuart Marshall tests some new cars from France Peugeot's flying flagship



HIGH MILEAGE drivers in Europa go for turbo-diesels and those seeking a bit of luxury favour multi-cylinder engines. Peugeot has just introduced two new versions of the familiar 505—a 2.5-litre diesel and a 2.9-litre V6—to increase its share of the market.

The 505 V6, Peugeot's flagship now that the old 604 has been killed off, has an improved version of an engine already used by Volvo, Renault and Lancia.

Driving it in France and Switzerland last week in the rotten weather that has been following me around all summer, I was impressed by its effortless cruising ability and sharply responsive handling.

When the 505 V6 reaches Britain in the near future it will cost about £17,500, which looks fairly ambitious. The 505 turbo-diesel will not be available here at least for the present.

UNVEILED at Paris show this week, and due to be put before British buyers at the National Exhibition Centre, Birmingham, in two weeks, is Renault's 21 estate car.

up to seven people, and follows quickly after the 21 saloon made its international debut in the spring. In Britain, two versions will be offered. Initially—the GTX, with a 120-horsepower two-litre petrol engine and the GTD, with a 2.1-litre, 67-horsepower diesel.

which will sit in between the Subaru and Audi Avant 4x4 estates. Already, Renault is offering light commercial vehicles users a selectable four-wheel version of its Traffic van.

Motor Show changes

IN THE fortnight before our own Motor Show opens at Birmingham, announcements of changes and additions to makers' model ranges are coming thick and fast.

Opel has two special-edition Manta Exclusiva two-door coupe and three-door hatchback cars, with fuel injected two-litre engines and high levels of equipment.

Bentley cars for 1987 will have fuel injection, anti-locking brakes and memory seats. A 30 per cent horsepower increase (to around 240 bhp) goes with improved petrol consumption.

Peugeot has been doing well in Britain lately. The 309 (including the diesel) is being made at the rate of 1,250 a week in Coventry and left-hand drive versions are even being exported to Germany, Belgium and Holland.

The Lux, with fuel injection 16 valves, turbocharging and 50/50 split four-wheel drive, permanently engaged, is for people who would like an Audi quattro but whose bank managers do not share their enthusiasm.

On the all-wheel drive front, the on-off road Romanian Dacia is soon to be available with a Renault diesel engine.

Another variant being introduced is the 309 SR injection, a 120 mph five-door with a 115 horsepower GTI engine.

Saab's long-awaited 900 Convertible and a special edition version of the 9000, fitting between the Turbo and the 9000i, will make their debut at Birmingham. Rolls-Royce and

Mercedes-Benz will begin to offer its traction improving systems (in cluding automatically engaged all-wheel drive) on 1987 models; and the new little Justy hatchback will join the Subaru collection of on-demand four-wheel drives.

A SHOW-STOPPER at Paris this week is the Vignale Gilda, designed by Ford in the US with collaboration from its Italian styling associate, Ghia.

preserve a smooth line as the nose of the car sweeps into the back seats.

appears under a moulded cover when folded down.

Peugeot has been doing well in Britain lately. The 309 (including the diesel) is being made at the rate of 1,250 a week in Coventry and left-hand drive versions are even being exported to Germany, Belgium and Holland.

It is purely a two-seater with reasonable luggage space and the option of a hardtop roof with exceptional glass area, or a soft top that dis-

ultimate test of your skill in dispatching a helpless opponent with the fastest possible checkmate. This puzzle is simply to find the minimum number of moves it takes White (to play) to force mate.

Another variant being introduced is the 309 SR injection, a 120 mph five-door with a 115 horsepower GTI engine.

It is purely a two-seater with reasonable luggage space and the option of a hardtop roof with exceptional glass area, or a soft top that dis-

mate in 10, but a real expert should be able to find the exact minimum answer.

Leonard Barden

GARY KASPAROV's three successive losses in games 17-19 at the world title match in Leningrad brought the score back to 9½-9½ just as it seemed that Kasparov would easily keep his championship. However the K v K series finally ends, these defeats highlight the risks in match play of repeating tactical opening variation with the black pieces.

Kasparov prepared the Grunfeld Defence 1 P-Q4, N-KB3; 2 P-Q4, P-KN3; 3 N-QB3, P-Q4 specially for this occasion as a surprise substitute for his usual Queen's Gambit Slav or King's Indian. The Grunfeld proved a trusty weapon at the London half of the match, and Anatoly Karpov's only success against it was in game five.

Chess history has many previous examples of players who have adhered stubbornly to a dubious black defence after its results turned sour, and this week's two-in-one game is a good illustration.

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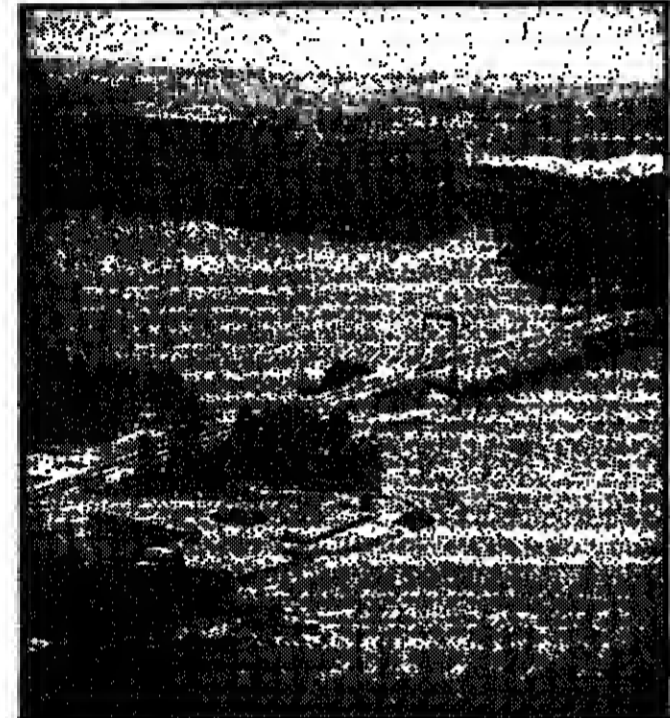
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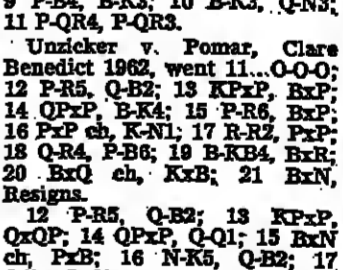
South deals of a love score, and opens with one diamond. North raises with two clubs, South insists on one heart—and the opener shows two no trumps, a more constructive rebid than three clubs, and North raises to three no trumps.

CHESS

GARY KASPAROV's three successive losses in games 17-19 at the world title match in Leningrad brought the score back to 9½-9½ just as it seemed that Kasparov would easily keep his championship. However the K v K series finally ends, these defeats highlight the risks in match play of repeating tactical opening variation with the black pieces.

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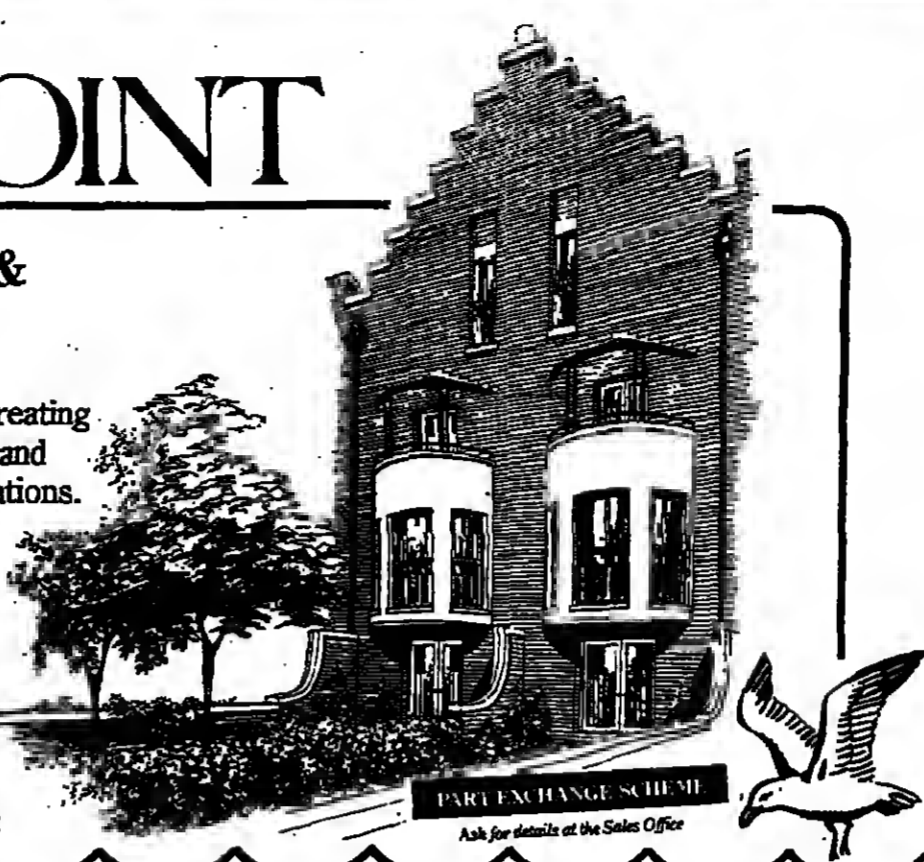
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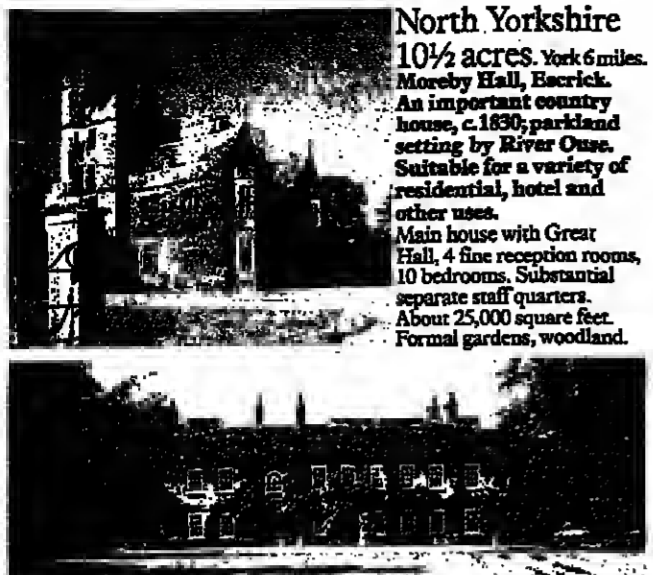
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Off to the Algarve

Expatriates led the way; now developers are heading there, too, reports Ross Davies

TO THE question "How stands the property market in the Algarve?" Paul Norman responds cheerfully: "Booming."

Norman, of Chestertons Overseas, notes a high level of interest in the Algarve from British expatriates as well as from Hong Kong Chinese. Some—as yet unnamed—large UK developers are also looking at this southern tip of Portugal for the first time, he says.

"The Algarve has the same climate as many of its European competitors, is less spoilt and has all-year-round leisure and sporting facilities. It's a golfer's paradise," Norman adds.

He believes the boom has been helped by Portugal's accession to the EEC at the beginning of this year, which bolstered confidence hattered by the revolution of the 1970s. But that alone would not have been enough.

"People feel a lot more confident than they did five years ago. There are more reputable builders operating there, and stricter building and planning regulations," he says.

The further west you go in the Algarve (away from the airport at Faro), the less-developed the coast. Chestertons is putting a good deal of hope in the Waterside Village on Luz Bay near Lagos, a development by its local affiliate, Alpart.

Two-bedroom apartments with a view over the bay are due to be completed by October 1987; they are now selling, pre-construction, at £22,500 complete with membership of the Luz Bay Club.

Back towards the airport, 20 minutes' drive away from Faro, Quinto do Lago is a 1,600-acre leisure and sporting development. One of its attractions is a 27-hole golf course, home to the Portuguese Open.

Jennie Pinder, of the Salisbury-based Euro Property Advisers, is offering a selection of villas and apartments a Victory Village Club, a private development within Quinto do Lago, overlooking the golf

course. One-bedroom furnished apartments here start at £51,300, rising to £85,600 for two bedrooms. A two-bedroom villa would cost £111,800; £166,200 for four bedrooms.

"I see very realistic growth for a good five to 10 years," she says. "Looking back five years, most good properties have risen in value in the region of seven to 10 per cent a year."

There is a brisk market in resale villas and converted or unconverted farmhouses. Euro Property Advisers can offer an 11-room unrenovated farmhouse with almond, fig and olive trees—as well as electricity and well water—for £24,000. That is much the same price as a two-bedroom apartment on the coast at Waterside Village. It depends, of course, on whether you want country living and the costs of modernisation, or a ready-made apartment.

Sheltered by the Monchique range from the Atlantic winds, warmed by the Gulf Stream, the Algarve is so Mediterranean in character that even regular visitors get their seas mixed up in describing the geography of the place.



Fun in the Algarve sun... water slides west of Faro airport.

The Algarve became increasingly, albeit quietly, popular with more discriminating holidaymakers, as well as retired people, at a time when the mass package tours began to make the Mediterranean resorts ever more garish.

The Newmarket-based Villa Owners Club is agent for the

Holiday Property Bond scheme, under which members invest in a portfolio of properties in the UK, mainland Spain, the Canaries and Cyprus—and now the Algarve, notably in villas and apartments such as the Senhorda Rocha development at Armacao de Pera and at Rocha Brava near Carvoeiro.

There would seem to be no shortage of newcomers going to see the Algarve for themselves. If you would like to do so, the direct flight from London to Faro takes about 2¼ hours. TAP does midweek flights for £348 return as from November 1. The airline's Navigator Class tickets costs £426 return all year round.

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Prices mark time

John Brennan on the agency chief who forecasts an autumn without increases

GEOFFREY van Cutsem, national director of Savills Residential, hides behind none of the usual delphic phrases in his Savills' sober view accords with prediction of house price movements in the autumn issue of the agency's magazine. "I forecast," he writes, "that prices will not go up this autumn because of the increased supply of properties now available on the market. Rather, they will continue to mark time and I would expect a small rise in price in 1987 in the order of 5 per cent."

He hedges his case on the wages-to-prices ratio that has costs can be 45 per cent of the total and up to 80 per cent on more expensive properties," he says. Bellway's buyers haunt the somewhat dangerous but all one can do in the broad terms—the house prices generally—van Cutsem does not think we are in

for a real downturn. Instead, we will see "the market trading sideways while salary increases catch up with house-price inflation."

With average prices at 342 times earnings, we are still well below the near five-times level reached, briefly, at the peak of the 1973 house price surge. But usual delphic phrases in his Savills' sober view accords with prediction of house price movements in the autumn issue of the agency's magazine. "I forecast," he writes, "that prices will not go up this autumn because of the increased supply of properties now available on the market. Rather, they will continue to mark time and I would expect a small rise in price in 1987 in the order of 5 per cent."

Building costs are going ahead of inflation but the site costs can be 45 per cent of the total and up to 80 per cent on more expensive properties," he says. Bellway's buyers haunt the somewhat dangerous but all one can do in the broad terms—the house prices generally—van Cutsem does not think we are in

hospital grounds, and whatever else they can find on the market.

Craigie himself is in favour of the green belt—"we couldn't have the ribbon development of the past"—but he believes something will have to give if enough houses are to be built in the south-east at prices first-time buyers can afford. As it is, he says, "we find that couples are buying apartments that would have sold to single people a few years ago."

So, the first-timers are trimming costs by trading down on scale, and still buying. A bottom price-range Bellway home would cost £40,000 to £45,000, depending on the site. Within that range, Craigie reports "a 35 per cent rise in the resale value after two years—and that's only an average." On other sites he has seen 50 and 70 per cent increases in the resale value of starter homes in a matter of a few years—as estates shed their early building site look and acquire shrubbery and rarity value.



NEW COUNTRY houses are rare but the five-bedroom Hamlets at Beards Hill, Oxford (above) is under 10 years old because of a fire that destroyed the converted, Hertfordshire title barn that formed the basis of a 1920s' house on the site. Richard Trastram-Eve at Savills (01-499 8644) is looking for offers on the house—which has 9.5 acres of grounds and a garden that was laid out by Sir Frederick Keeble, a former director of London's Kew Gardens and Oxford Professor of Horticulture—of around £300,000. Hamlets is five miles west of Oxford, with a rail time to London Paddington of 49 minutes.

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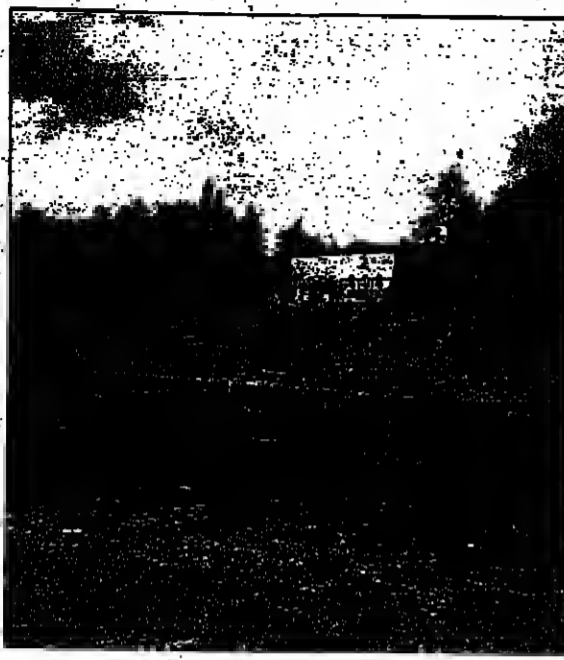
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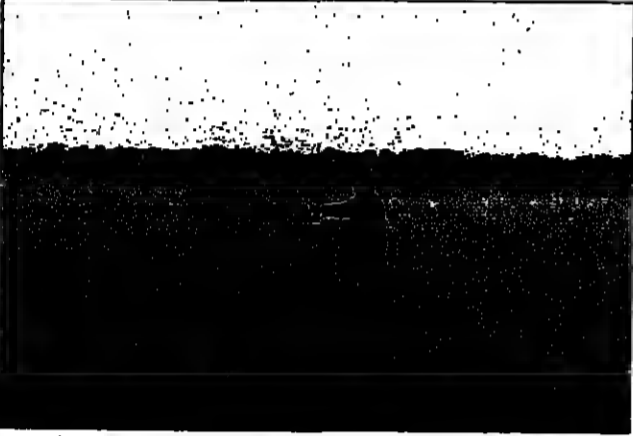
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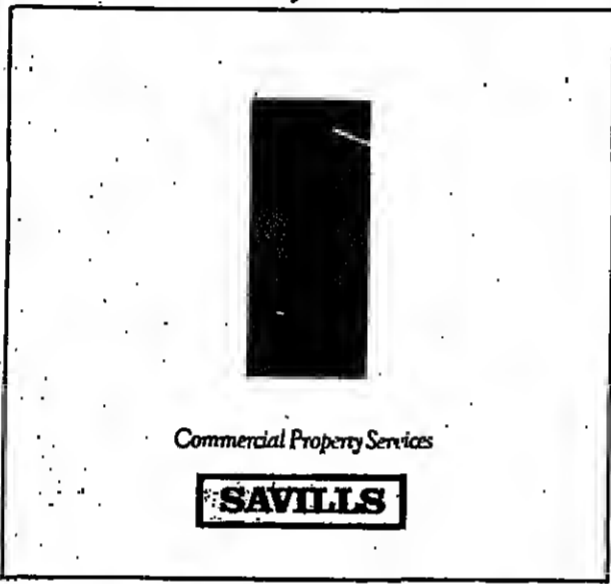
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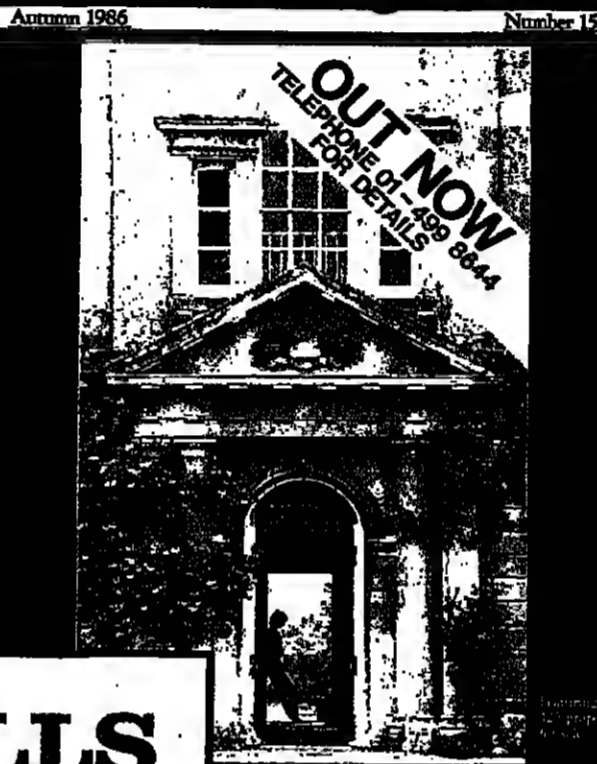


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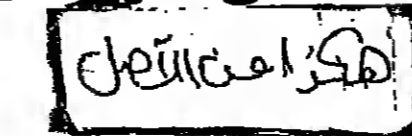
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WEEKEND FT REPORT

Franchising

THE franchising industry in the UK is at a crucial crossroads. Over the past year a number of problems have emerged which have raised some doubts about the effectiveness and potential of the franchise form of business operation.

One is the emergence of franchise brokers anxious to sell franchises seemingly at any price in order to earn commission. Another is the European Courts judgment this year on the exclusivity of a West German franchise operation.

There has also been the collapse of the Young's Franchise Group last year (subsequently acquired by Mr Cyril Spencer) as well as the trading problems faced by some of Young's La Mama franchisees.

The image of franchising has begun to look a little tarnished, and may serve as a warning to the thousands of would-be franchisees expected to attend the National Franchise Exhibition in London later this month. Franchising, far from being a safe-haven for redundancy payments or life savings, is as complex and competitive a type of business as any other.

But even with the problems, a recent survey reveals that annual sales through franchising in the UK have topped £2bn for the first time. The survey, by Power Research Associates and sponsored by the National Westminster Bank, provides one of the most up-to-date reviews of the state of franchising.

But franchising is not a new concept in Britain. It can be

UK franchise sales have soared above £2bn but doubts are beginning to emerge about the sector's potential and expansion is now being tempered with caution.

Caution tempers growth

traced back almost two centuries to when brewers first created the 'head-house' system to guarantee outlets. It developed in the UK this century mainly in the motor trade through franchised petrol stations, car dealers, and spare parts dealers, as well as in food retailing through groups such as Spar and VG.

In return, the franchisee gets the chance to run his or her own business making use of a proven name and system of operation. For this the franchisee pays a fee and usually an on-going royalty, and may have to buy stocks and other supplies from the franchisor.

According to the Power survey, about 440 business format franchise systems are now in operation. The average number of franchised units per system has risen to 45, making a total

number of 19,800 franchised units. With average annual sales of £113,000, this leads to the survey estimating the size of the market at some £2.2bn, an increase of 26 per cent over 1985. The survey also estimates that about 148,000 are employed in franchising, 85 per cent more than the estimate in a similar survey last year.



Millie's Cookies franchise operation turnover has grown from £350,000 to a projected annual rate of £2.5m in five years



Frontaprint's successful international printing franchise has been difficult to reproduce in other lines

try instead to go it alone. Franchising seemed to offer a way of combining the independence of self-employment with the back-up of a proven business formula. The Government has also increasingly recognised the crucial role that small businesses can play in the economy and has directed resources towards helping this sector to flourish.

Other market factors have helped the growth of franchising. The growth in popularity of fast food as a result of changing lifestyles, for instance, has helped stimulate demand for franchised food outlets, although the market remains highly competitive.

At the same time there has been a growth in demand for more service and convenience, typified by the emergence of new US-style convenience stores which meet a need for early and late shopping in neighbourhood areas.

Growth in franchising has also been spurred on by greater involvement of the banks and other financial institutions in providing not only funds but also specialist advice to help companies franchise their operations in the most effective way.

At the same time there has been a growth in demand for more service and convenience, typified by the emergence of new US-style convenience stores which meet a need for early and late shopping in neighbourhood areas.

Mr Ian Neill, current chairman of the BFA, says it is wrong to suggest that Young's management means that franchising is at fault. "It was more of a management problem than the concept of franchising itself that was wrong," he says.

But this growth is now being tempered with caution. "It is wrong to suggest that Young's management means that franchising is at fault. "It was more of a management problem than the concept of franchising itself that was wrong," he says.

Ironically, it was the Pronupia franchise operations in West Germany which attracted the attention of the EEC earlier

that franchises should not be sold as a commodity. Since franchise brokers depend on obtaining commission from signing up new franchisees, the BFA is worried that this might lead to people unsuited to franchising being persuaded to invest in a franchise.

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Franchisors

Cautious moves to clean up

SKETCHLEY, the dry cleaning retail chain, was in its 99th year as a company in 1984 when it decided to expand through franchising.

The company had two main objectives: first, to develop into the north of England, where Sketchley's presence is comparatively low; second, to attract highly motivated staff to work at its standards.

Sketchley so far has only six franchise operations in the UK and an experimental unit in Abu Dhabi. "We have started slowly and been especially selective with both franchisees and site selection," says Mr Keith Tywman, franchise manager.

"But we intend to step up our pace sharply over the coming months and will have increased our coverage several times by next spring."

Minimum investment needed for a Sketchley franchise is £25,000, which includes an initial franchise fee of £5,000. Total

investment required is £77,000 and Sketchley assists potential franchisees with raising the balance.

"Projected turnover for a typical franchised outlet would be £86,000 for the first year, rising to £120,000 in the third year of operation," adds Mr Tywman.

Sketchley's path to franchising is typical of the reasons advanced by many other companies to sectors ranging from fast food through to convenience stores and drapery cleaning.

However, as Mr Andy Pollock from the Arthur Young consultancy and management consultancy firm points out: "There is a widely held misconception that franchising is a route to get rich quick using other people's capital."

Franchising "is like any other business venture and needs to be planned, tested, and involves a great deal of invest-



Sketchley has set up six franchise operations as an experiment

ment both in time and money," he says.

When expanding by franchising, companies should realise that it is a new business venture and not just a continuation of an existing business.

"A company is moving from deriving the whole of its income from operating a business

to achieving an income from setting others up in business and providing them with on-going assistance," he points out. "Therefore new skills will be required."

The franchise route does not always run smoothly. The classic case is the Wimpy fast-food chain which, after many years of franchising, felt that its market image was slipping. It was forced to buy back some key sites from franchisees and redevelop the concept as well as taking steps to improve standards of franchisees.

Other problems faced by franchisors include the franchisee feeling that his success is due more to his own efforts than that of the franchisor. This can lead to resentment, especially when there are on-going royalty payments.

Communications can also become a problem, leading to conflicting objectives and less willingness by franchisees to co-operate in the running and development of the system. Most of these problems arise from the franchisor not taking sufficient care in selecting franchisees.

This is a classic fault when a company starts franchising. It emphasises that franchisee selection should be a crucial stage of the franchise operation.

Early returns from franchising can also be lower than expected. "It is unlikely that a company, unless it is part of a larger group, will be able to finance the transition to franchising without external financing," Mr Pollock says.

There should be less trouble in raising finance from outside sources "if the business plan presented to a financial institution demonstrates a continuing market for the product or service, that the management has the necessary skills to achieve its aims, and that there is an acceptable return on the investment."

David Churchill

Franchisees

Collapse leaves bitter memories

TWO YEARS ago Mrs Danielle Baillieu decided that she would like to run her own retail outlet but would prefer to do so under a franchise operation. It was a decision that has left Mrs Baillieu with debts of more than £50,000, including some £17,000 worth of life-savings invested by her mother-in-law.

"I feel very bitter about the whole affair," she says.

Mrs Baillieu and several other former La Mama franchisees, who prefer to remain anonymous, were victims of the collapse of the Young's Franchise Group last year (subsequently bought by Mr Cyril Spencer and now trading normally).

La Mama had been conceived by the former Young's management as a new retail franchise concept aimed at providing fashionable maternity wear as an alternative to chain-store fashions.

Mrs Baillieu had learnt about La Mama at the National Franchise Exhibition two years ago and, since she had some knowledge of the fashion business as well as a four-year-old child, felt that the concept was right for her.

She did not go into the franchise without doing her homework. The Young's Franchise Group, of which La Mama was part, was one of the best-known and most respected operations. Mr Edward Young, its former chairman, had been chairman of the British Franchise Association and was one of the gurus of UK Franchising.

"I am fighting for the rights of small franchisees who get a raw deal."

La Mama had been accepted for membership by the BFA and both Barclays and the National Westminster banks were prepared to help franchisees with finance. Mrs Baillieu, therefore, went ahead with her investment.

But it soon became clear that everything was not as it should be. Stocks were either too fashionable or not available and the trading figures on which the franchise was based were over-optimistic.

Her problem mounted when the Young's group went into receivership and eventually she started a bitter wrangle with the new management about compensation. She is still fighting for what she sees as her rights although she has given up the La Mama franchise and reopened her shop Mother & Child.

She has put in stock she feels more appropriate to the location in Golders Green, north

London. "I feel I am fighting for the rights of small franchisees everywhere who get a raw deal from large companies," she says.

The new management at Young's is reviewing the La Mama operation but still believes it offers a good trading concept in the current splintering of high streets into closely-targeted retail outlets.

Mrs Baillieu is not alone in having her franchise dream soured by her experience with La Mama. Franchisees with other operations have also faced problems, such as Mrs Janice Davis, who has set up an association to represent the independents.

This follows the lack of progress by the BFA's plans for a separate grouping to represent franchisees.

The experience of Mrs Baillieu and others will not deter many people from taking up a franchise, however. The dream of running a business with many benefits of self-employment and escape from the frustrations of working for a large organisation, can prove irresistible.

Although there is no such person as a typical franchisee, new research from the Winchester-based Franchise Shop suggests that the average would-be franchisee is married with three children or less and a mortgage. Initial interest usually centres on a job-format franchise in the building and maintenance services industries, with the potential franchisees having up to £15,000 to invest.

A second choice franchise would be either fast-food or a health and beauty franchise.

There are significant regional variations in the UK, according to the Franchise Shop survey. In the Midlands, for example, a potential franchisee is likely to be older — up to 50 — and also a skilled manual worker with probably not more than £10,000 to invest.

London, the south-east and south-west attracts the strongest interest in franchising with the operator more likely to have been self-employed or a middle to senior manager.

What makes a good franchisee? "Franchising works for those who are prepared to live by the work ethic, as they do in the US," suggests Mr Peter Stern, franchise manager of the National Westminster Bank. "Over-optimism and the need to learn the basics of selling and time management are two important factors."

Yet part of the current problems with franchising stems from some mismanagement of attitudes between franchisees and franchisors. A report by Power Research Associates sug-

gests that "the growth plans of the systems (franchisors) are not universally shared by the owners of units (franchisees), who want steadiness and predictability. Many have no motivation or ability to sell."

Franchising is only one type of marketing procedure. "Most of the problems of those who franchise but from failures and inadequacies in other ways — chiefly in selling and in basic business expertise," the report says.

So what should be done to avoid choosing the wrong franchise?

"Franchising works for those prepared to live by the work ethic."

The experiences of some La Mama and other franchisees has shown that the business is not without its problems. The key lesson is to think for yourself rather than depend on the advice of specialists.

It is up to the individual to take a realistic look at the market potential for the operation, to talk in detail to other franchisees, and generally take a "convince-me" approach.

You may come to realise that you are not cut out to run your own business and should not waste your investment. Or you may find that you would be happier following the traditional small business route of setting up the help of a franchisor.

Mr Mike Grunberg, a partner in the accountancy firm Stoy Hayward, also suggests some basic questions to ask:

- What will be the return on my investment?
- What services (such as site selection, training, and advertising) am I being offered by the franchisor?
- Are the current franchisees happy and expanding the number of units?
- Do the financial projections make sense?
- Is the initial fee more than 10 per cent of my total investment?
- Does the franchisor require more than the equivalent of 30 per cent of the gross profit?
- Do I have to buy equipment and supplies from the franchisor — and at competitive prices?
- What support will be provided?

There are never too many questions before starting a franchise. Those that ask the right ones and are honest with the answers invariably are the ones who make most success out of franchising.

David Churchill

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Sources of Finance

Banks are learning fast

ALTHOUGH IT is not quite so easy as filling in a credit card application, most would-be participants now have little need to look much further than their local bank manager for franchise finance.

Estimates from the five main lenders put the total borrowings of business-format franchising at about £140m.

vision for the cost of "intangibles" in setting up—licences, legal expenses, stocking and fitting out, launch and advertising costs, working capital, and if it is a retail franchise, premiums on leaseholds.

The scheme will finance up to two-thirds initial expenditure at 3 to 4 per cent above bank lending rate. It will have two types of loan available under the scheme: a one-to-five-year fixed-rate loan up to £15,000 for the job and smaller mobile service franchises, and a more flexible package, over longer terms, for amounts up to £50,000.

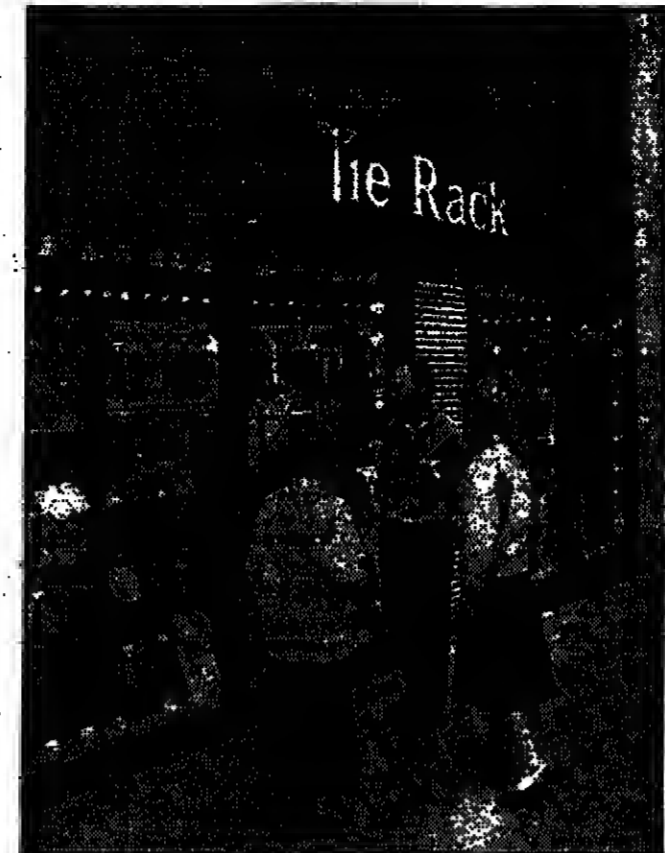
The banks have established individual loan leading schemes with some of the more established franchisors, offering a finance package to the franchisee. Finer rates of interest are offered, though these again are up to 70 per cent of initial investment cost.

Despite endorsing various company schemes, the banks are swift to point out they are not offering a warranty of a particular franchise.

Even with well-established franchisors, the prospective franchisees should still exercise due caution and seek independent professional advice before investing. Someone wanting to go into business by taking on a franchise has almost 350 companies to choose from, according to figures just published by the British Franchise Association.

"Only a small percentage of franchisors have got their operation together properly," said Mr Peter Stern, senior franchise manager at NatWest. "I am impressed with the good ones but I certainly would not put my money in the poor ones."

Before considering any proposal from a franchise, the banks will look carefully at the



The Tie Rack franchise in London's Fleet Street

resources and proven track record of the franchisor. From the franchisee they are looking for financial commitment and motivation, and a carefully prepared business plan with three-year financial forecasts which the franchisor will normally help with.

There should be value for money to the franchisee, offering pay-back and profits over a realistic period. Normally the franchise must be capable of providing a reasonable return on investment within two-to-three years.

Where expansion away from London and the South-East is envisaged, franchisors have had to revise their targeted sales figures downwards. "Having been misled by standard sets of figures we are now asking for specific budgets prepared for a particular location," Mr Derek Poore, Barclays franchise manager notes.

The banks fear, too, that many franchisors despite being well-established in the market place, are still under- or wrongly capitalised.

Reappraisals were carried out by the banks on all franchise clients following the collapse of Young's Franchise Group late last year. Some franchisors would find themselves in trouble if further pressure was put on their financial standing, said Mr Derek Poore.

All the banks have lent their weight to the BFA by becoming affiliate members, and efforts are being made to persuade the City to invest in franchising. Overtures have met with little response, and established sources of equity funding remain very thin on the ground.

Royalty clauses still effectively exclude funds coming from Business Expansion Scheme sources into franchising, while other areas of venture capital support show poor appetite for it. Even so, the major provider of venture capital in the UK, reports only £3m invested in franchising over the last few years. Most of this has been put into individual franchisees rather than franchise companies.

Franchise Investors was set up last year in response to this need, and is the only fund providing equity capital specifically for franchise development.

Colin Wilde

The US Scene

From barbers to biscuits

THE US franchise business continues to outpace the growth of the economy, having spurred 9.2 per cent in 1985 to \$529bn, in spite of increasing saturation in such traditionally popular operations as fast foods, computer hardware and even the fairly new area of video cassette rentals.

Supplanting these old favourites, which are suffering a decline in available prime locations, high start-up costs and heavy competition, is a growth in franchised services. This rang from copying to haircuts and exercise classes.

These newcomers represent a third wave in the franchise field, which started with product and trade-name franchises like petrol stations, car dealerships and drinks bottlers.

While still the dominant form of franchise, representing 73 per cent of franchise sales in 1985, the number of franchisees has gradually diminished, from 160,729 in 1984 to 153,241 in 1985. Besides the drastic cut in petrol stations, the decline is also felt in drinks distribution.

Business format franchising, the second form of operation, entails a continuing two-way relationship beyond trademark and product supply, to quality-control, marketing and strategic direction from headquarters.

With sales of \$135bn in 1985 compared with \$122bn in 1984, business-format franchising has been responsible for much of the growth in the field in the past 20 years. It has led to diversification within fast foods, as well as to other fields like computer hardware, shoe retailing and hotels.

Within the automotive franchising field, there are companies specialising in repairs, tyres, mufflers, car hire, refinishing, auto glass, wind screen replacement and transmissions. There are fitness shops and biscuit outlets, mobile homes and chimney repairs, children's furniture and pet shops.

The growth of franchising, according to Mr Sam Ross, whose Fantastic Sam barber shop franchise has spawned more 1,000 units nationwide, reflects the decline of independent operators.

"The day of the small man is over," he says. "The costs of

doing business are too high. The latest area of service-based industries owes its start to the low cost of entry compared with established fast-food and car-repair franchises. A McDonald's location can cost \$400,000, compared with an average of \$25,000 for business counselling from General Business Services, maid service from Merry Maids or child-parent exercises with Gymboree.

Even more attractive, the minimum down payment can be a lot less, like Merry Maids' \$13,500, Gymboree's \$12,000 or \$8,800 for ServiceMaster, a janitorial service company with a total investment required of \$19,800.

Beyond the low initial costs, service franchises can rely less on expensive premises, especially in shopping malls, which have been climbing in price for more than a decade. Janitor and maid services do not require customer visits.

A programme like Gymboree, in which children get an hour's supervised play with their mothers, can rent space for the time required. One Gymboree group meets at the sanctuary level of St Peter's Church adjoining the Citicorp Centre in midtown Manhattan.

Low cost of entry is important to franchisees because banks have traditionally shied away from providing loans. Many banks do not give loans on restaurants, for instance, but enterprising franchisees have found backers willing to stand

behind a bank loan in return for an equity stake in the business. Other financial institutions have begun to give franchise financing, including PruCapital, a division of Prudential Insurance, Merrill Lynch Capital Markets, General Electric Credit Corporation and Westinghouse Credit Corporation.

Considering that there are 2,400 franchising companies employing 6m people, it is not surprising that brokers match potential investors. Shingler Hollis of Greenbelt, Maryland, keeps a database listing franchise sellers, financial backers and a questionnaire for potential franchisees.

The growth of services in the franchise field shows how diverse adaptations can keep the segment of the economy expanding—and even accelerating. After a decade of average annual growth of 8 to 8 per cent, franchisees are expected to start growing at a double digit rate, according to Mr Alfred J. Modica, professor of management at Mercy College.

He anticipates 1986 to show 13.5 per cent sales growth to \$806bn and a 10 per cent growth in units, to 530,000.

Already, franchising provides a third of US retail sales. Prof Modica expects franchisees to move to 40 per cent in 1990 and half of all retail sales by the turn of the century.

Frank Lipsius

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Kathie Twyman, Franchise Manager, Sketchley Franchises Ltd, Rugby Road, Hinckley, Leics LE10 2NE.

Advertisement for FAST FRAME instant picture framing, featuring a logo and contact information.

Advertisement for EXCHANGE TRAVEL FRANCHISE, listing benefits and contact details.

Advertisement for The Rack retail business, highlighting prime locations and franchise opportunities.

Advertisement for DAVID M. POWELL & CO. Solicitors, located at 30A College Green, Bristol.

Advertisement for MANAGEMENT FRANCHISE c£50,000, offering a business opportunity with a £50,000 investment.

Advertisement for KIDSONS Chartered Accountants, located at 69 Aldwych, London.

Advertisement for FRANCHISING IS A SERIOUS BUSINESS, featuring the FOTO INN franchise.

Advertisement for FMMI Franchise Consultants, offering franchise and marketing management services.

Advertisement for YOUR OWN BUSINESS IN MOTOR WORKSHOP SUPPLIES, featuring the MOTOR WORKSHOP SUPPLIES franchise.

Advertisement for ORIGINAL MASTERPIECE OF A FRANCHISE, featuring Original Art Shops.

Advertisement for THE BRITISH FRANCHISE ASSOCIATION, an official BFA franchise.

Large advertisement for AVIS car rental, featuring the slogan 'We try harder.' and listing benefits of the franchise.

DIVERSIONS

Albs, anyone?

Low in price and rich in beauty, church robes are a bargain says Annalena McAfee

ECCLESIASTICAL vestments have always occupied one of the dustier, more obscure corners of the saleroom market.

At the top end of the market are the rare 15th-century Opus Anglicanum vestments; relics of the golden age of English embroidery.

For generations it was the property of the Roman Catholic Middleston family of Sawston Hall, Cambridge, and might have been worn by St Edmund Campion, who is thought to have been brought up at Sawston.

At the lower end of the market are the later vestments, often made of fine silks and brocades from gowns donated by grand benefactresses.

These are the later vestments, often made of fine silks and brocades from gowns donated by grand benefactresses.

Only last week a priest turned up at Sotheby's offering a stunning brocade cloth of gold chasuble embellished with massed ranks of angels.

However, there are signs that the market might be opening up. Anne-Marie Benson of Phillips reports that some of fashion's *jeunesse doree* are buying up vestments to use the fabric for their own clothing designs.

Some are even wearing them as they are. Kerry Taylor adds: "As interior design pieces they have great potential. They're large and rather extraordinary."

There are, though, still those who feel uncomfortable about the use of religious artefacts in secular settings.

"DON'T you feel queasy about digging up dead people?" I am often asked. No, I do not. The dead I dig up are 3,000 years old, and just bones.

A visit to A Vision of History: the Wellcome Institute for the History of Medicine at the Institute (188 Euston Road, London NW1; until April 10) set off these thoughts.

What a history of mankind is to be written through the history of medicine. Whether the evidence is found from digs or medical literature and records, from the ancient world till today—and tomorrow as new drugs excite share prices—it is all immediate, fascinating and sometimes painful.

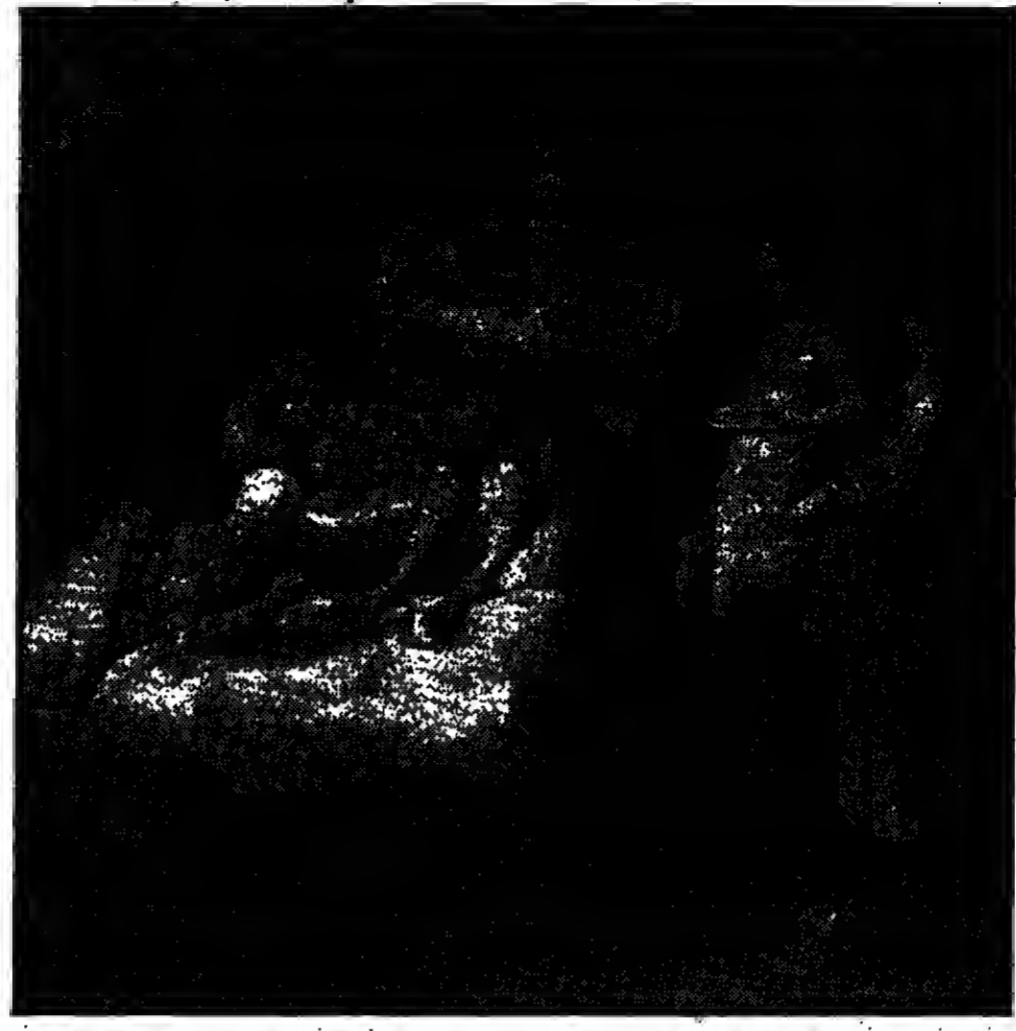
Those poor people also had arthritis, especially in the neck, looking like the results of whiplash injuries from car accidents.

The Lernaean lived near a marsh where the Anopheles mosquito bred. So they also suffered from malaria, which is one of man's oldest and most fatal diseases.

hookworm, and tetanus. There was no evidence in the bones for tuberculosis, syphilis or definite cancer.

Gerald Cadogan sees a display of medical milestones

Putting flesh on the old bones of history



St Elizabeth attending the sick: an oil on copper by Adam Elsheimer (c.1598) on show at the Wellcome exhibition

William Harvey's book of 1628 demonstrating the circulation of the blood is open at drawings on partial heat sterilisation ("pasteurising") to 55-60 C to prevent the souring of wine.

There is an invitation to Isaac Newton's funeral (Westminster Abbey, March 28, 1727), and William Harvey's book of 1628 demonstrating the circulation of the blood is open at drawings on partial heat sterilisation ("pasteurising") to 55-60 C to prevent the souring of wine.

veins in the arms allow blood to flow one way only. 16th century anatomical books, with body drawings with superimposed flaps to show the internal organs, are the precursors of today's pop-up books.

To sleep, perchance to dream? Robin Lane Fox muses on mulberries

Some revelations from Ephesus

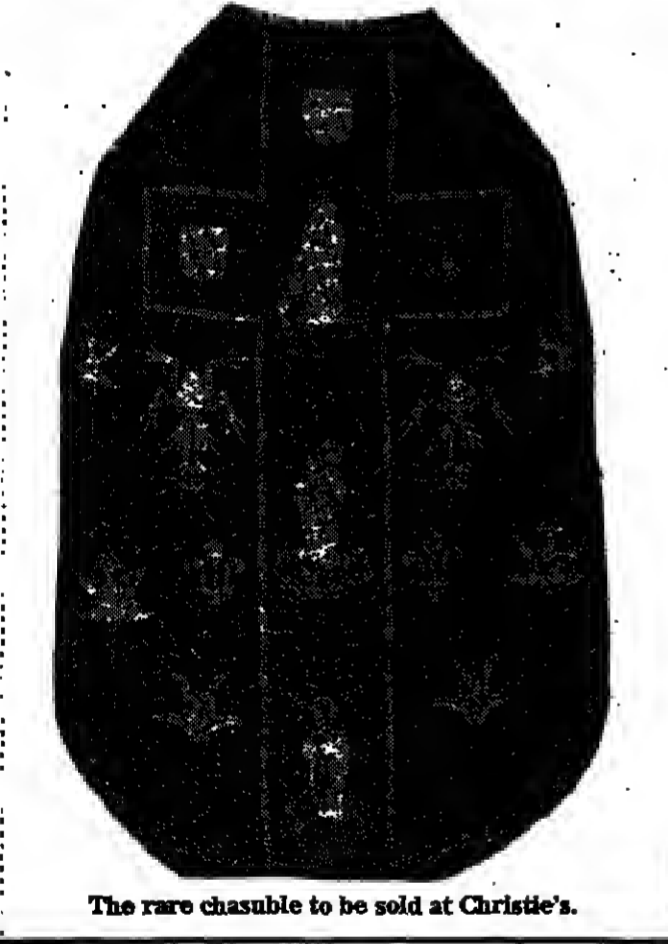
THIS IS a romantic piece for a romantic moment which I enjoyed last week in Turkey. Like most romances, it might have been seen through half-closed eyes.

turn up in the Koran. How many sleepers there were, Mohammed was not sure; but he did know that they had taken the dog with them: it slept with its paws outstretched at the entrance to the cave.



some old mulberries, but nothing approaching an arbutus. I had to ask expert advice and the answer turned out to be most encouraging.

When I was a directors' chef, I used to take a lot of working lunches. "Don't worry," they'd say, "it's only a working lunch"



The rare chasuble to be sold at Christie's.

BOOK COLLECTORS are familiar with Peter Eaton's bookshop at 80 Holland Park Avenue, West London. It has a large general stock in the shop itself, a basement full of cheaper items, and a room upstairs where nothing costs less than £30.

Bucks and books house and along the carriage-way. The family which used to own Lilies was noted antiquaries. Peter Eaton has carried on the tradition. The house is crammed with cases containing ammonites, Aztec remains, Egyptian grave objects, title deeds with royal signatures, literary autographs, playing cards, old typewriters, old matchboxes and King George VI's rationbook.

commissioner in Corfu, imported exotic trees and laid out spacious avenues. He invited distinguished friends to be present and a stone memorial was erected at the foot of each tree to commemorate each planting.

Arthur Hellyer explains why you should go soft on fruit Give your garden the raspberry 'They need little or no spraying, routine weeding, and generous feeding once a year'

usually by the end of August, but the autumn-fruiting varieties are not pruned until the following February. The method is the same, with all the old canes being cut out to within a few inches of the soil.

crop. If both summer and autumn crops are required it makes more sense to plant two varieties, one for each season, and prune each as described earlier.

This means buffet food, on plates but with no knives. Forks, then, or fingers? This is a matter of personal style and hygiene, since roughly anything you can eat with one you can eat with the other. Knives, of course, are a different game—they open up the food options, but you can't use a knife standing up unless you eat off the mantelpiece.



garden compost or animal manure will both be excellent for them. Generous quantities can be dug into the soil before planting and, in subsequent years, either can be spread as thick mulch on top of the soil in late winter or early spring.

Some excellent new varieties have been appearing recently which crop much more heavily and reliably than the old. Two of the best are Autumn Bliss, available from Dobies of Llangollen, and Zeva. Keo Muir of Honeypot Farm near Clacton-on-Sea, describes Zeva as perpetual-fruiting, which is an exaggeration, but like other autumn-fruiting kinds it will give a second crop in June if the old canes are not cut out in February. However, retaining the old stems for so long is likely to weaken the main

So, we are standing up and the food options range from what caterers call "finger-food" to any kind of fork food, from scrambled eggs to cassoulet. No, don't have cassoulet for a working lunch, unless you can handle the whole situation. "I can't do a decent afternoon's work unless I've had my cassoulet," might sound impressive but can you go through with it into the afternoon?

There is beautiful food meant for the fingers—Arab, Near Eastern, shading into the Indian. I am not suggesting a whole menu of such things, but things like kibbeh and felafel may be just right and they do not necessarily make the conference room smell like the souk of Tangier. They are in a way intellectually stimulating



FOOD FOR THOUGHT

Stand up for your bites

Peter Fort on the trend to business lunches where those present are actually expected to work

THE BUSINESS lunch, they say, is in decline. Businessmen no longer take each other out as a matter of routine for expensive three-hour bouts in restaurants, emerging purple-faced at 3.45 and roaring back to the office to resume hands-on management with more confidence than sureness of touch.

What do they do instead? It is called the working lunch. It goes on just as long, but it is held in a conference room and the table groans with schedules and computer print-outs, around which the food has to be tucked.

When I was a directors' chef, I used to take a lot of working lunches. "Don't worry," they'd say, "it's only a working lunch"—meaning, perhaps: "We expect neither to notice nor to enjoy the food." But when you give up the pleasures of choice and sense of occasion that restaurants provide for your money, must you forget about pleasure and food altogether?

DIVERSIONS

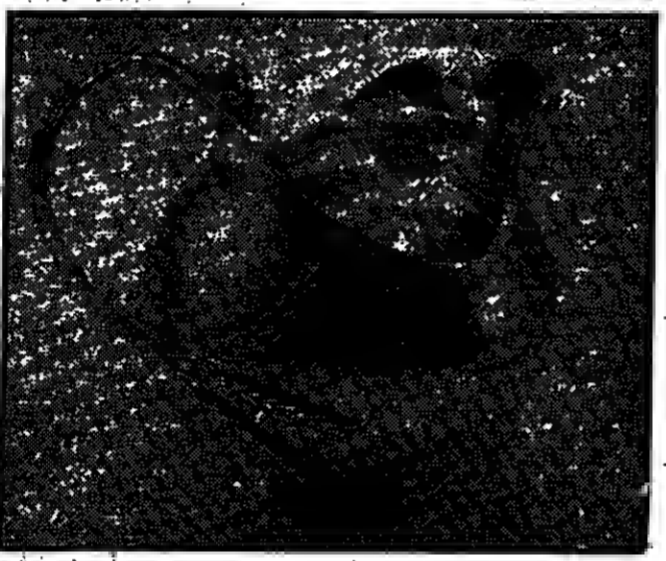
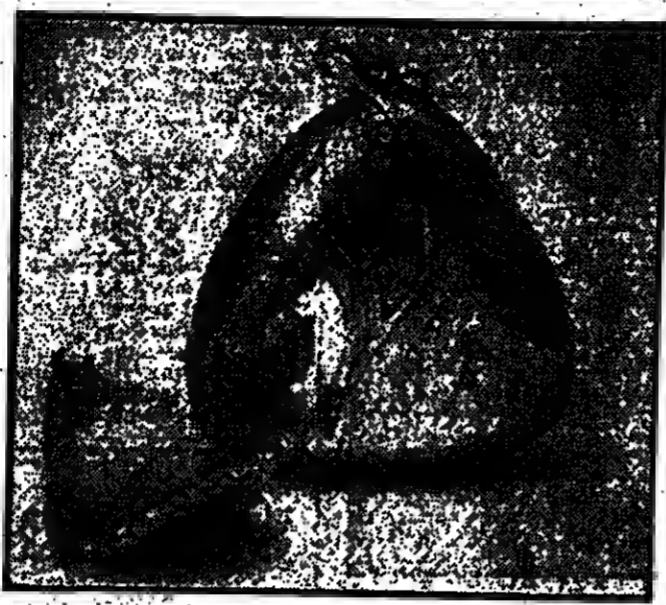
Lucia van der Post

Gem of a show

NEXT WEEK brings a marvellous chance to see and buy a wide selection of contemporary jewellery and silver.



freshwater pearls with diamonds set in 18 carat gold by Jane Sarginson, go on up to £3,100 and beyond.



One of the great joys of the exhibition is that almost everything on show is unique. There is no factory produced jewellery or silverware at all.

A tempting taste of Tiffany's

THE STOCK MARKET may be having an attack of the jitters but if the spate of new shops opening up in London in recent weeks is anything to go by, retailers still seem to believe that, given the right products, people will spend, spend, spend.

Tiffany opened a couple of weeks ago at 25 Old Bond Street, London, W1, after an absence of some 40 years, with a splendid breakfast (what else?), plenty of champagne and attendant socialites to toast it on its way.

If you're wondering what all the fuss is about and think Tiffany is just for international spenders with limitless bank accounts, you might be pleasantly surprised. There are, of course, plenty of delectable temptations for the high-rollers but there's quite a lot for you and me as well.

Many a traveller to New York has headed straight for Tiffany's 5th Avenue, to buy its inimitable silver pens, watches, money-clips, and small accessories, many of which come at prices no higher than anywhere else but often with just that extra little bit of individuality and in those instantly recognisable little turquoise boxes with the white satin ribbon.

Of course, Tiffany has some rather more expensive specials. The selection of watches, for instance (some of which are shown on this page), starts at £400.

like a welcome addition to the furnishing scene. Coloroll, as most readers will know by now, has for some time now been expanding its range of household furnishings—it started with wallpapers, moved onto fabrics and curtains and into bedlinen, table cloths, tray cloths, and a host of other soft furnishings as well. The real plus, it sounds to me, is that besides its own ranges it will be putting together complete "looks" using whichever other merchandise best fits the purpose. If it needs a fine Kelim to give the room an authentic, stylish feel, then a fine Kelim it will get—and you, if you so wish, will be able to buy it, too. The "looks" will be set out for all to see and range from the seductive-sounding Romantic (all festoon blinds, four-poster beds and lashings of white and cream) to Ethnie (where you will find that Kelim), taking in Country Cottage, Progressive (black, white, gunmetal, chrome et al), Classic and Contemporary Pastel along the way.

It should keep Habitat, Laura Ashley, Next Interiors et al nicely on their toes.

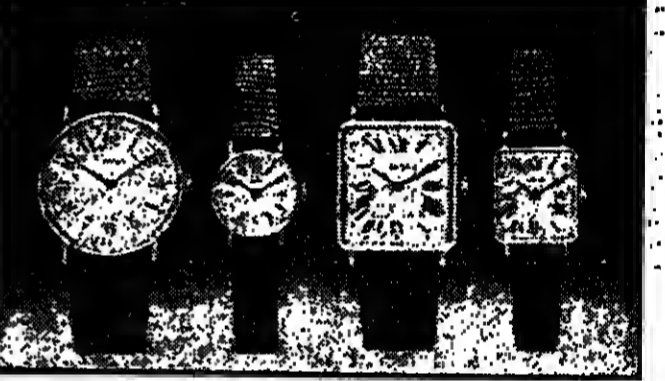
Cerruti has always been a name that has stood for a certain elegance—it may not have been very accessible elegance in that prices were often far from pleasing (though not outrageous) but it was nice to know it was there just in case we got lucky. More people will probably now be hoping they get lucky for Nino Cerruti has just opened his own shop at 75 New Bond Street. Here, in an interior designed by Vico Magistretti, men and women will be able to buy the complete Cerruti look. Usually better known for his menswear he also produces immaculate tailoring for women (I remember well the year every fashion editor in town seemed to own a navy-blue Cerruti blazer).

Prices, as I said before, are not outrageous—men's suits start at £495 (yes, I'm sorry to say that £500 for an off-the-peg is these days considered only a little over the odds), shirts start at £30, while women's suits are for some reason quite a bit more—from £685 for a suit in wool.



ABOVE: The Nino Cerruti look for next spring—double-breasted navy blue suit in wool and silk

BELOW: A selection of Tiffany's Classic watches with Arabic or Roman numerals



Know your body



BEAUTY AND THE MALE

Nicky Smith on the new ways in which people are viewing their lifestyles

"HE LIKES sport, she likes the outdoors. They both like to be active in their leisure time. They jog, cycle, smash, tack, gallop, even garden purely for the fun of physical exercise."

We are in the leisureed eighties, with more time it seems to frolic, lead an "active lifestyle" and wash, than ever before. The ideal couple probably share the shampoo and shower gel, the soap and the non-alcoholic deodorant stick which comprise bath and body care. When they're jogging, smashing or even gardening, they wallow in a combination of oak moss, mint and tropical fruits.

energetic, alert and lively all the time, it is important to apply common sense to maintaining oneself in good health. Endless diet plans, fitness routines and lifestyle stories later, it seems worth reconsidering these few words of wisdom. The Americans, who to paraphrase Pierce Deminos, have never left anything to chance since their first discovery of their country, now seem unwilling to leave dying to chance. If the energy-radiating health and fitness books that pour out of the country are anything to judge by, then the idea is to go on jogging and eating lentils indefinitely. Success is rated by your ability to feel energetic, alert, lively, CONSTANTLY. If you don't, you obviously need a vitamin or a mineral supplement or there's something wrong with your inner consciousness.

Nobody would deny (least of all our grandparents) that sensible nutrition is a key factor in health. But good diet doesn't happen overnight and changing your eating patterns, to lose weight and to improve well-being, takes time. The variability of the foods available adds to the problem. The high priests and priestesses of the health cult may be innocent enough in their advice to eat this or do that but too often, they offer panaceas for a host of ailments. In her book The Wright Diet (Judy Wright, London 1986) Celia Wright, who started the Green Farm Nutrition Centre with her husband in 1979, to pioneer the "new nutrition" in Britain, emphasises the point that no one diet is right for everyone. She advises you to get to know your body better, to be aware of the signals it gives which tell you what it needs and what it doesn't. Moderation in all things has always seemed a sensible dictum and the same applies to exercise. Running five miles a day because you feel you have to, may only increase stress for those of a competitive spirit. In which case, you may actually be better off relaxing in a tropical fruit bath, thinking great thoughts and leave going out for a tack, gallop or smash to

Olga Polizzi is transforming THF: Louise Nicholson meets her

A lady with designs

"THERE'S NO design management training in England that's any good," said Olga Polizzi, eldest daughter of Lord Forte and director of design and decor for Trusthouse Forte since 1980. "You've either got it, or you haven't."

With some justification, she reckons that she has. In the past, the prospect of staying in a THF hotel has been a depressing experience. The decor, had food, dreary atmosphere—a depressing experience best avoided. Once delightful provincial hotels like the Green Dragon at Hereford have fallen victim to THF institutional blandness. But Mrs Polizzi is out to change all that.

Each year she and her design team of five refurbish about 3,000 bedrooms in the group's 240 or so hotels throughout the world, ranging from the luxurious Georges V in Paris to the more practical Regent Palace in London. Sometimes it is a total refurbishment, as at the Rascals' Marina overlooking St Andrews' golf course. Sometimes it involves launching a new concept, as with the string of simple Little Chef lodges or the delectably modern Post House at Milton Keynes. Whatever the scale, each penny spent must soon come home to roost on the hotel's profit and lost sheets.



Olga Polizzi... "you have to believe in your own taste"

THF scheme. She is responsible for company design policy, for new hotels, for refurbishment, maintenance and, increasingly, conservation of old properties. To criticisms that hers was a dynamic appointment she replies: "When you are brought up with the firm all around you, it is like one's own family, so you care more. You work harder." Far from being handed a job for the girls, Mrs Polizzi seems better equipped than most to reverse the British dismissal of "Trusthouse Forte motorway style." "We have been growing and growing. Now we are consolidating. It will take a couple of years more," she says, "but I think we are winning."

her she was to join the THF board, she had doubts. "But it is important to know what is going on and whether my work increases the profits. The Madrid Ritz is already making money. I pushed for lots to be spent on the Shelbourne in Dublin, which I love, and now that is making money, too." Mrs Polizzi is responsible for design and their strict cost control. Behind the open Italian smile, she is practical and tough. She drives a hard bargain with suppliers. "If the product is roughly the same, I buy British. British fabrics are now very good. We would like to buy all British, but you cannot spoonfeed.

"If a wallpaper salesman arrives with no ideas, there is not time to teach him. And no one can do furniture of quality for the price I can get in Italy or Germany." St Andrew's is really a Polizzi success story. When THF bought it in November 1985, it was "worse than our worst, and some of our worst" had to be said. In January, after a basic coating, the 22m, 17-week refurbishment began. "Drawings went straight from the office to be interpreted on site, where we were spending £2,000 an hour. It was terrifying."

Advertisement for Montblanc Meisterstück watches, featuring an image of a watch and the text 'MONTBLANC THE ART OF WRITING MEISTERSTÜCK'.

Advertisement for Glastonbury Street Somersdon Swindon Wilts, featuring the text '... and you can part exchange your old coat for a new one!' and 'Unbeatable choice in style and value'.

Advertisement for Christies Old Master Prints, featuring the text 'The right place for Old Master Prints' and 'David Llewellyn'.

Welsh Ring with polish

THE WELSH Ring has now completed its London showing... The Welsh Ring has now completed its London showing...



Anne Evans as Brunnhilde

the lightest-toned Brunnhilde to take this stage for many years... Anne Evans, after this beautiful Brunnhilde, there can be no doubt.

Dancer who leads the league

ANTHONY DOWELL is hoping to do for the Royal Ballet what Kenny Dalglish has done for Liverpool football club... Dancer who leads the league

The elements of Dowell's strategy for the Royal Ballet are still at an embryonic stage... But this season he is taking on the hurdle of mounting a new production of Swan Lake for the company which may involve him in some new choreography, especially in Act One.

David Churchill



Anthony Dowell as dancer in the Royal Ballet's Dream

Double Dutch opening

AFTER SOME 60 years of talking and planning... Double Dutch opening

Amsterdam's new Musiktheater on the Waterlooiplein waterfront

Culele's production of Falstaff... Amsterdam's new Musiktheater on the Waterlooiplein waterfront

Frankly ill-humoured

RADIO THREE'S sense of humour baffles me entirely... Frankly ill-humoured

Records

Two full-length classics from Covent Garden... Records

CHRISTIE'S ST. JAMES'S... NEW YORK... CHRISTIE'S EVENING CONCERTS... CHRISTIE'S SOUTH KENSINGTON

MAKE A SEAT... HAND EMBROIDERED SILK PICTURES... Art Galleries... Exhibitions... Clubs

Solution to Chess No. 640... White mates in seven by 1 P-K4, 2 Q-R5 and 3 Q-N5

Here are George Barker, Elizabeth Jennings, Charles Causley, Lauri R. Norman, Nicholson, talking about his

The man who is set on making it America's cup again: Keith Wheatley reports from Australia

Arrival of Top Gun on the water

DENNIS CONNER'S presence in Australia has put the America's Cup in perspective...

ping in Western Australia than in Newport. When he began his cup involvement...

Top Gun on the water. "Naturally I don't like losing. I'm a very competitive person..."

looking forward to making enough money to stay in it. You just couldn't pay me to work this hard..."

first plane out of Honolulu, his days with the five-star San Diego syndicate over, Conner is a complete perfectionist...

the fastest boat, the best-trained crew and the best organisation is the catalyst that enables him to release his considerable talents behind the wheel...



Dennis Conner

'Naturally I don't like losing but I'm not on a personal vendetta' - Dennis Conner on the eve of the preliminary races

"Ooh," cooed the receptionist at the headquarters of the World Hockey Cup...

The event is being held in England to celebrate the centenary of the Hockey Association...

extremely evenly-matched and England have a good chance on home ground. Colin Whalley, the England team manager...

in West Germany and Spain, a double over Canada last weekend; and, apart from the Australian reverse the only other defeat has been against Spain...

names may be remotely familiar are Kerly, the centre forward, and Taylor, the goalkeeper...

Faulkner, Leman and Potter. David Whitaker, the coach, is also a key figure...

two progressing to the semi-finals. In Group A with England are Pakistan, the favourites...

and they can modestly enjoy the publicity which TV coverage guarantees...

Nicholas Keith looks at the England team's chances in the great hockey event

Eyes of the world on Willesden

FT CROSSWORD PUZZLE No. 6,142

CINEMILE crossword puzzle grid with clues and solutions.

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday...

ACROSS and DOWN crossword clues and solutions.

SATURDAY

SATURDAY LONDON and S4C WALES television and radio schedules.

SUNDAY

SUNDAY LONDON and S4C WALES television and radio schedules.

TELEVISION AND RADIO

TELEVISION AND RADIO schedules for various regions including Scotland, Ulster, and Yorkshire.

ENGLAND PROGRAMME

ENGLAND PROGRAMME details including October 4th and 5th schedules for various events.

Richard Briers, Penelope Wilton and Peter Egan: Ever Decreasing Circles, BBC 1, 7.15 pm.